



S. David Smalling, Jr.
Senior Vice President
Public Finance

Phone: 713-230-6125
Email: dsmalling@rwbaird.com

October 14, 2016

Ms. Lonna Stein
Controller
City of League City
300 W. Walker, Suite 215
League City, TX 77573

RE: \$9,975,000 Galveston County Municipal Utility District No. 45
Unlimited Tax Bonds, Series 2016

Dear Ms. Stein:

The Board of Directors of the Galveston County Municipal Utility District No. 45 (the "District") has authorized submission to the Texas Commission on Environmental Quality ("TCEQ") for the approval of the sale of Bonds to reimburse the developers in the District for the construction of underground utilities pursuant to an agreement between the District and the developers. The District met on October 4, 2016, to authorize its consultants to proceed with the issuance of its Unlimited Tax Bonds, Series 2016. The Bonds are the second installment of bonds issued by the District.

Under the terms of the Utility Agreement between the District and the City dated September 23, 2003, Bonds may be sold by the District only with the approval of the City Council. The terms and conditions of the Bonds and expenditure of funds are in compliance with the Utility Agreement. Therefore, the District respectfully requests Council consideration and approval at the earliest possible Council Meeting. The following information has been included for staff review:

1. Debt Service Schedule;
2. Cash flow showing economic feasibility;
3. Tentative Schedule of Events;
4. Bond Application to TCEQ.

Proceeds of the sale of the Bonds will be used by the District to finance (i) City of League City water and wastewater impact fees; (ii) Lawrence Road, Phase 2 utilities; (iii) South Shore Blvd., Phase 2 utilities; (iv) Hidden Lakes, Section 2 - Water Only; (v) Hidden Lakes, Section 3, Phase 2 & Section 8; (vi) Hidden Lakes, Sections 4 & 5, Phase 1 and South Shore Blvd., Phase 3 (vii) Hidden Lakes, Section 7 & South Shore Blvd., Phase 4; (viii) Engineering, Material, Testing & Surveying; and (ix) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

It is anticipated that the issuance of the Bonds will result in no increase to the District's current tax rate, which is \$1.00/\$100.A.V.

Thank you very much for your consideration of our request. If you have any questions, please do not hesitate in telephoning me at 713.230.6125.

Sincerely,
ROBERT W. BAIRD & CO. INCORPORATED

A handwritten signature in black ink, appearing to read "S. David Smalling, Jr." with a stylized flourish at the end.

S. David Smalling, Jr.
Senior Vice President