

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Jon Niermann, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

March 8, 2018

Mr. Joe Ferro, Board President
Galveston County Municipal Utility District No. 44
c/o Smith Murdaugh Little & Bonham LLP
2727 Allen Parkway, Suite 1100
Houston, Texas 77019-2191

Re: Issuance of bonds by Galveston County Municipal Utility District No. 44 (District) in the amount of \$3,650,000 at a net effective interest rate of 5.23%.

Dear Mr. Ferro:

Enclosed are certified copies of an order of the Texas Commission on Environmental Quality (TCEQ) approving your district's project and the issuance of bonds in the amount of \$3,650,000 at a net effective interest rate of 5.23% to finance the District's projects, all being more fully set out in the order.

Your attention is directed to Texas Water Code Section 54.601, which reads as follows:

At the time bonds payable in whole or in part from taxes are issued, the board shall levy a continuing direct annual ad valorem tax for each year while all or part of the bonds are outstanding on all taxable property within the District in sufficient amount to pay the interest on the bonds as it becomes due and to create a sinking fund for the payment of the principal of the bonds when due or the redemption price at any earlier required redemption date and to pay the expenses of assessing and collecting the taxes.

Based on the projected taxable assessed valuation discussed in the TCEQ memorandum associated with the District's application, we have concluded that initially a tax of \$0.67 per \$100 valuation should be levied to pay interest, principal, and the cost of assessing and collecting such taxes. Application of the recommended tax rate should provide sufficient funds to satisfy the average annual debt service requirement of \$1,235,828.

You should read the enclosed order carefully. This action is taken under authority delegated by the Executive Director of the TCEQ. Please take particular note of the provision that no substantial alterations in the approved plans and specifications shall be made without prior TCEQ approval. This is a requirement of Texas Water Code Section 49.182.

Mr. Joe Ferro
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A copy of the TCEQ's order and this letter are being sent to the Attorney General's Office, Public Finance Division, Austin, Texas. Additional copies are being provided to your attorney, engineer, and fiscal agent of record.

Sincerely,



Cari-Michel La Caille, Director
Water Supply Division
Texas Commission on Environmental Quality

CML/dh

Enclosures

cc: Mr. J. Davis Bonham, Jr. - Smith Murdaugh Little & Bonham LLP - 2727 Allen Parkway,
Suite 1100 - Houston, Texas 77019-2191

Mr. Edmund D. Rucker, P.E. - LJA Engineering, Inc. - 2929 Briarpark Drive, Suite 600 -
Houston, Texas 77042-3703

Mr. Matt Dustin - RBC Capital Markets LLC - 2800 Post Oak Blvd., Suite 4325 - Houston,
Texas 77056-6146

Attorney General's Office - Public Finance Division - P.O. Box 12548 - Capitol Station -
Austin, Texas 78711-2548

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS
I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY
OF A TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
DOCUMENT, WHICH IS FILED IN THE PERMANENT RECORDS

MAR 08 2018

OF THE COMMISSION, GIVEN UNDER MY HAND AND THE
SEAL OF OFFICE ON

Bridget C. Bohan
BRIDGET C. BOHAN, CHIEF CLERK
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AN ORDER APPROVING AN ENGINEERING PROJECT AND THE ISSUANCE OF \$3,650,000 IN UNLIMITED TAX BONDS FOR GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 44

An application by Galveston County Municipal Utility District No. 44 (the "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (TCEQ) for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181. The District requests approval of an engineering project and issuance of \$3,650,000 in bonds to finance: the remaining portion of costs for drainage improvements to serve Tuscan Lakes Southeast Quadrant, Phase 2; a portion of costs for drainage improvements to serve Tuscan Lakes Southeast Quadrant, Phase 3; water and wastewater capital recovery (impact) fees; land and easement acquisition costs; operating expenses; and water, wastewater and drainage facilities to serve residential development within The Village at Tuscan Lakes Section 3, Phase 1 and Section 4, Phase 1. The TCEQ has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation.

FINDINGS OF FACT

1. The District filed an application with the TCEQ on December 21, 2017 for approval of a proposed engineering project and the issuance of \$3,650,000 in bonds.
2. The Executive Director of the TCEQ has investigated the District.
3. The application and accompanying documents have been examined. The District was inspected by a member of the Districts Section on February 6, 2018. A memorandum was prepared on the project dated February 26, 2018, a copy of which is attached and made a part hereof.
4. The District's project and issuance of an amount of \$3,650,000 in bonds at a net effective interest rate of 5.23% to finance the project should be approved.
5. The request for a waiver of the 30% developer contribution requirement should be granted pursuant to 30 TEX. ADMIN. CODE § 293.47(a)(1).
6. The District should be directed that it may expend funds for the purchase of facilities conveyed to the City of League City without the need for a pre-purchase inspection pursuant to 30 TEX. ADMIN. CODE § 293.69(h).
7. The District should be directed that for facilities not conveyed to the City of League City, the District should not purchase facilities or assume facility contracts from the developer, until either (a) the TCEQ's region office has inspected the project, and the District has received a region office report with no deficiencies noted, for which approval is valid for 120 days from the date of this Order; or, if a region office report indicates deficiencies, (b) the

TCEQ's Districts Section has received a request from the District and a region office report, reviewed the contract administration, and given written authorization to finalize the purchase or assumption, either one in accordance with 30 TEX. ADMIN. CODE § 293.69.

9. The District's Board of Directors should be directed to review to its satisfaction the detailed calculations of the developer's interest to ensure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN. CODE § 293.50 before reimbursement to the developer is made.

10. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.

11. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to TCEQ rules on surplus funds.

CONCLUSIONS OF LAW

1. The TCEQ has jurisdiction to consider the engineering report and bond application pursuant to TEX. WATER CODE § 49.181.

2. The Executive Director has investigated the District, and the TCEQ has found it legally organized and feasible.

3. The Districts Section's memorandum dated February 26, 2018 on this engineering project should be adopted as the written TCEQ project report in compliance with TEX. WATER CODE § 49.181(d).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Districts Section's memorandum dated February 26, 2018 on this engineering project and bond issue is adopted as the written TCEQ project report. Pursuant to TEX. WATER CODE § 49.181, the engineering project for Galveston County Municipal Utility District No. 44 is hereby approved together with the issuance of \$3,650,000 in bonds at a net effective interest rate of 5.23%. The request for a waiver of the 30% developer contribution requirement associated with this bond issue is granted pursuant to 30 TEX. ADMIN. CODE § 293.47(a)(1). The District is directed that it may expend funds for the purchase of facilities to be conveyed to the City of League City without the need for a pre-purchase inspection pursuant to 30 TEX. ADMIN. CODE § 293.69(h). The District is directed that for facilities not conveyed to the City of League City, the District should not purchase facilities or assume facility contracts from the developer, until either (1) the TCEQ's region office has inspected the project, and the District has received a region office report with no deficiencies noted, for which approval is valid for 120 days from the date of this Order; or, if a region office report indicates deficiencies, (2) the TCEQ's Districts Section has received a request from the District and a region office report, reviewed the contract administration, and given written authorization to finalize the purchase or assumption; either one in accordance with 30 TEX. ADMIN. CODE § 293.69. The District's Board of Directors is directed to review to its satisfaction the detailed calculations of the developer's interest to ensure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN. CODE § 293.50 before reimbursement to the developer is made. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant

to TCEQ rules on surplus funds. The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the TCEQ.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE § 5.701, the District shall pay to the TCEQ 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fees shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER ORDERED that to enable the TCEQ to carry out the responsibilities imposed by TEX. WATER CODE §§ 49.181-182, the District shall: (1) furnish the TCEQ copies of all bond issue project construction documentation outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE § 49.277(b), which have not already been submitted; (2) notify the TCEQ and obtain approval of the TCEQ for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE § 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with provisions of this Order shall subject the District and its directors to all penalties that are provided by law and shall further be considered by the TCEQ as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the TCEQ is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **March 7, 2018**


For the Commission

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Chris S. Ulmann, P.E., Manager *CU 3/1/18* Date: February 26, 2018
Districts Section

Thru: Tom Glab, Leader *TG 2/26/18*
Districts Bond Team

From: Daniel Harrison *DH 2/26/18*
Districts Bond Team

Subject: Galveston County Municipal Utility District No. 44; Application for Approval of \$3,650,000 Unlimited Tax Bonds, Fifth Issue, 5.23% Net Effective Interest Rate, Series 2018; Pursuant to Texas Water Code Section 49.181.
TCEQ Internal Control No. D-12212017-050 (TC)
CN: 602565715 RN: 104423165

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received an application from the Galveston County Municipal Utility District No. 44 (District) requesting approval for the issuance of \$3,650,000 in unlimited tax bonds to finance the following:

1. The remaining portion of costs for drainage improvements to serve Tuscan Lakes Southeast (SE) Quadrant, phase (ph.) 2;
2. A portion of costs for drainage improvements to serve Tuscan Lakes SE Quadrant, ph. 3;
3. Water and wastewater capital recovery (impact) fees;
4. Land acquisition costs;
5. Easement acquisition costs;
6. Operating expenses; and
7. Water, wastewater and drainage facilities serving the following development within the District:

<u>Development</u>	<u>Type of Development</u>	<u>Acreage⁽¹⁾</u>	<u>Existing ESFCs⁽²⁾</u>	<u>Ultimate ESFCs</u>
The Village at Tuscan Lakes Section 3, Ph. 1	Single-family	6.90	19	19
The Village at Tuscan Lakes Section 4, Ph. 1	Single-family	8.02	42	42
Totals		14.92	61	61

Notes: (1) According to the engineering report, reserves are accounted for separately, and these are developed lot acreages only.
(2) Equivalent Single-Family Connections (ESFCs) as of September 2017, as stated in the engineering report.

The District's previous bond issues and use of surplus funds funded utilities to serve 538 equivalent single-family connections (ESFCs) on 127.36 acres. Including this bond issue, the District will have funded utilities to serve 599 ESFCs on 142.28 acres. According to the engineering report, the District's ultimate development is projected to serve 1,968 ESFCs on 330.56 developable (out of 436.93 total) acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

The financial feasibility of this bond issue is based on no-growth to a certified taxable assessed valuation (AV) of \$191,937,003 as of January 1, 2017. A market study was not provided, and is not required since the feasibility is now based on no-growth.

According to a Galveston Central Appraisal District certificate, the District's January 1, 2017 certified taxable AV is \$191,937,003. The annual debt service requirement for the bond amount of \$3,650,000 and existing debt averages \$1,235,828 for the 22-year life of the District's bond debt. The District levied a maintenance tax of \$0.16 in 2016 and, according to the engineering report, is projecting to levy a maintenance tax of \$0.13 in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$3,650,000 bond issue, no-growth to an estimated taxable AV of \$191,198,593 as of January 1, 2017, 12 months of capitalized interest, a 5.0% bond interest rate, a 3% bond discount, a 95% collection rate, and a projected tax rate of \$0.67 per \$100 assessed valuation. A District's Section's financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rates would be sufficient.

<u>District</u>	<u>Projected Tax Rate</u>
Debt Service	\$ 0.67 ⁽¹⁾⁽²⁾
Maintenance	\$ 0.13
Total District Taxes	\$ 0.80
City of League City Taxes	\$ 0.06 ⁽³⁾
Total	\$ 0.86 ⁽⁴⁾

- Notes: (1) Based on a 5.23% net effective interest rate, a 95% collection rate, no-growth to an estimated taxable AV of \$191,198,593, 12 months of capitalized interest as shown in the cost summary and at least a 25% ending debt service fund balance.
- (2) The term "commission-approved tax rate" in 30 Texas Administrative Code (TAC) Section 293.85 refers to an initial ad valorem debt service tax of \$0.67 per \$100 assessed valuation.
- (3) Portion of the City's tax rate specifically attributable to water, wastewater, drainage or recreation according to the engineering report.
- (4) Represents the combined projected tax rate as defined by 30 TAC Section 293.59(f).

Additional Financial Comments

The District is exempt from the 75% and 25% build-out requirements of 30 TAC Sections 293.59(l)(4) and 293.59(k)(7), respectively, based on its combined no-growth tax rate of \$0.86 being less than \$1.50 pursuant to 30 TAC Sections 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSIS

Water Supply

Water supply for the District is provided by the City of League City (City) in accordance with the April 10, 2003 "Utility Agreement By and Between Galveston County Municipal Utility District No. 44, the Johnson Development Corporation, and the City of League City, Texas" (Agreement), as amended. The City's source of water is from a combination of existing wells and surface water from the City of

Houston's Southeast Water Purification Plant and from the City of Dickinson's Thomas Mackey Water Purification Plant. Pursuant to the Agreement, the City agrees to supply the District with all of its requirements of potable water for which the District agrees to pay the City connection charges (impact fees) for water service.

The District is requesting funding for water impact fees for 61 ESFCs in this bond issue.

The District has no emergency or other water supply interconnect agreements.

The City's water supply capacity appears to be adequate to serve the existing 712 ESFCs upon which the engineering feasibility of this bond issue is based.

Wastewater Treatment

Wastewater treatment for District customers is provided by the City's 6.0 million gallons per day (mgd) Dallas-Salmon Plant pursuant to the above-referenced Agreement, as amended. The plant operates under Texas Pollutant Discharge Elimination System (TPDES) Permit No. WQ0010568005 and has a permitted interim flow of 7.5 mgd and a final flow of 12.0 mgd. Pursuant to the Agreement, the City agrees to provide the District with wastewater service for which the District is to pay the City connection charges (impact fees).

The District is requesting funds for wastewater impact fees for 61 ESFCs in this bond issue.

The City's wastewater treatment capacity appears to be adequate to serve the existing 712 ESFCs upon which the engineering feasibility of this bond issue is based.

Storm Water Drainage

Storm water drainage for the District is collected by a network of underground collection lines which convey storm water into detention basins and ultimately outfall into Robinson Gully.

This bond issue proposes to fund construction and engineering costs for the second phase of drainage improvements (detention basins and storm water pipes) to serve Tuscan Lakes development southeast quadrant.

Purchase of Existing Facilities / Assumption of Contracts

<u>Project</u>	<u>Contractor</u>	<u>% Complete (Date)</u>	<u>Final Contract Amount⁽¹⁾</u>	<u>Amt. Subj. to Distr. Contrib.</u>
Drainage Improvements to Serve Tuscan Lakes Development SE Quadrant, Phase 2	Big State Excavation, Inc.	100% (8/8/07)	\$ 582,654	\$ 529,140 ⁽²⁾ \$ 264,570 ⁽³⁾
Drainage Improvements to Serve Tuscan Lakes Development SE Quadrant, Phase 3	Lindsey Construction, Inc.	100% (12/4/14)	\$ 667,860	\$ 667,860 \$ 480,859 ⁽⁴⁾
The Village at Tuscan Lakes Section 1 - W, WW & D	Terbo Construction	100% (5/8/06)	\$515,114	\$ 515,114 \$ 61,814 ⁽⁵⁾
The Village at Tuscan Lakes Section 3, Phase 1 - W, WW & D	Triple B Services, LLP	100% (5/21/13)	\$ 344,920	\$ 344,920

The Village at Tuscan Lakes Section 4, Phase 1 - W, WW & D	Cooley Construction LLC	100% (4/3/13)	\$ 478,699	\$ 478,699 \$ 263,284 ⁽⁶⁾
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- Notes: (1) Based on original contract amount plus/minus any change orders and quantity adjustments.
(2) Excludes \$53,514 for ineligible street construction costs.
(3) According to material provided, the District is requesting funding for only 50% of eligible costs in this bond issue. The remaining \$264,570 may be requested in the future.
(4) According to material provided, the District is requesting only \$480,859 (72%) in this bond issue. The remaining 28% or \$187,000 may be requested in the future.
(5) Excludes \$453,300 which was funded in the District's previous bond issue (fourth issue).
(6) According to material provided, the District is requesting funding for only 55% of eligible costs in this bond issue. The remaining \$215,415 may be requested in the future.

Approved plans and specifications, preconstruction agreements, and various construction contract documents have been provided.

Facilities to be Constructed

None.

Inspection

The District was inspected by a member of the Districts Section on February 6, 2018. Streets and utilities appeared to be complete within those projects which are being funded from the current bond issue. One District name sign was properly posted, and upon being notified that the other was not located, the District representatives agreed to replace it.

D. SUMMARY OF COSTS

Construction Costs

District's ⁽¹⁾ Share

A. Developer Contribution Items

1. Remaining Costs for Drainage Improvements to Serve Tuscan Lakes Development SE Quadrant, Phase 2	\$ 264,570
2. Drainage Improvements to Serve Tuscan Lakes Development SE Quadrant, Phase 3	480,859
3. Remaining Costs for The Village at Tuscan Lakes Section 1 - W, WW & D	61,814
4. The Village at Tuscan Lakes Section 3, Phase 1 - W, WW & D	344,920
5. The Village at Tuscan Lakes Section 4, Phase 1 - W, WW & D	263,284
6. Engineering for Items No. 1-5	268,690 ⁽²⁾
7. Engineering for The Village at Tuscan Lakes Section 2, Phase 3 - W, WW & D	21,038 ⁽³⁾
8. Geotechnical for Items No. 2, 4 & 5	27,495 ⁽⁴⁾
9. Surveying for Items No. 1 & 2	1,873 ⁽⁵⁾
10. Stormwater Consulting for Items No. 2-5.	<u>50,808</u> ⁽⁶⁾
Total Developer Contribution Items	\$1,785,351

B. District Items

1. Water and Wastewater Impact Fees	\$ 343,674 ⁽⁷⁾
2. Land Acquisition Costs for Drainage Improvements, Phases 3 & 4	466,098 ⁽⁸⁾
3. Easement Acquisition for Electric Utility to Serve Drainage Improvements	<u>133,686</u> ⁽⁹⁾

Total District Items	<u>\$ 943,458</u>
TOTAL CONSTRUCTION COSTS (74.8% OF BIR)	\$2,728,809
<u>Non-Construction Costs</u>	
A. Legal Fees (2.9%)	\$ 106,250 ⁽¹⁰⁾
B. Fiscal Agent Fees (1.96%)	71,375 ⁽¹¹⁾
C. Interest	
1. Capitalized Interest (12 months @ 5.0%)	182,500
2. Developer Interest	266,821 ⁽¹²⁾
D. Bond Discount (3.0%)	109,500
E. Operating Expenses	72,437 ⁽¹³⁾
E. Bond Issuance Expenses	59,533
L. Bond Application Report	40,000
M. Attorney General Fee (0.10% or \$9,500 maximum)	3,650
N. TCEQ Bond Issuance Fee (0.25%)	<u>9,125</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 921,191
TOTAL BOND ISSUE REQUIREMENT	\$3,650,000

- Notes: (1) The District has requested a waiver of the 30% developer contribution requirement.
- (2) Represents \$32,749 for Item No. 1, which is the remaining portion of the \$65,498 in eligible engineering, of which 50% was funded in the District's fourth bond issue. Also, represents \$78,616 for Item No. 2, plus \$67,741 for Item No. 3, which is the remaining portion of the \$76,978 in eligible engineering, of which 12% was funded in bond issue 4. Also represents \$53,840 for Item No. 4 plus \$35,744 for Item No. 5, which is 55% of the \$64,989 in eligible engineering, and the remaining \$29,245 (45%) may be requested in the future, according to material provided.
- (3) Represents the remaining portion of the \$101,852 in eligible engineering for Section 2, of which \$80,814 was funded in bond issue no. 4, according to material provided.
- (4) Represents \$14,342 for Item No. 2, plus \$7,928 for Item No. 4, plus \$5,225 for Item No. 5, which is 55% of the \$9,500 in eligible Geotech fees, and the remaining \$4,275 (45%) may be requested in the future, according to material provided.
- (5) Represents \$473 for Item No. 1, which is the remaining 50% of the \$945 in surveying costs, which were partially reimbursed in bond issue 4, plus \$1,400 for Item No. 2, according to the engineering report.
- (6) Represents \$18,725 for Item No. 2, plus \$9,568 for Item No. 3, which is the remaining 12% portion of the eligible SWPPP, of which 88% was funded in bond issue 4, plus \$12,383 for Item No. 4, plus \$10,132 for Item No. 5 for 55% of the \$18,423 in eligible stormwater fees, and the remaining \$8,291 (45%) may be requested in the future, according to the engineering report.
- (7) Represents an impact fee payment to the City for 61 ESFCs at \$5,634 each, including \$3,215 for water plus \$2,419 for wastewater, pursuant to the Agreement with the City. See Special Consideration No. 2.
- (8) According to the material provided, represents a \$271,182 land cost for approximately 21.75 acres based on a price per acre of \$12,468.12 (from sale price of \$5,890,663 for a 472.458-acre original tract) plus \$194,916 in developer interest (estimated at 5.0% from the purchase date of December 18, 2003 through the estimated bond funding date of April 30, 2018).
- (9) The District was required to acquire an easement from Centerpoint Energy for construction of phase 3 of the drainage improvements. The cost represents the negotiated price for the easement of \$121,532 as agreed to by the District and Centerpoint, according to material provided, plus \$12,153 in developer interest (estimated at 5.0% for a period of two years).
- (10) According to the contract provided, the attorney's fees are 3% of the first \$3,000,000 of bonds issued, plus 2.5% of bonds from \$3,000,000 to \$5,000,000 and 2% of bonds above \$5,000,000.

February 26, 2018

- (11) Amount as requested in application material. According to the contract provided, the fiscal agent's fees are 2% of the value of the bonds actually sold and delivered to and paid for by the purchaser(s).
- (12) Estimated at 5.0% with a proposed bond funding date of April 30, 2018, or a maximum of two years in accordance with 30 TAC Section 293.50(a).
- (13) Reimbursement of \$50,106 in advances paid by Johnson Development between 8/1/16 and 12/5/16 plus \$22,331 in advances paid by Pulte Group between 11/8/16 and 12/5/16.

E. SPECIAL CONSIDERATIONS

1. Waiver of the 30% Developer Contribution Requirement

The District has requested a waiver of the 30% developer contribution requirement (30 TAC Section 293.47) pursuant to 30 TAC Section 293.47(a)(1), based on the District having a debt to assessed valuation ratio of 10% or less. The District's existing (\$13,690,000) and proposed (\$3,650,000) debt sum to \$17,340,000. The District has provided a Galveston Central Appraisal District certificate indicating a taxable assessed valuation of \$191,937,003 as of January 1, 2017; therefore, its debt to assessed valuation ratio is 9.0%. The District's request for a waiver of the 30% developer contribution requirement should be granted pursuant to 30 TAC Section 293.47(a)(1).

2. Water and Wastewater Impact Fees

The District is required to make impact (capital recovery) fee payments to the City for capacity in the City's water and wastewater facilities and treatment plants, pursuant to the Agreement referenced above. Pursuant to a June 11, 2013 City ordinance, the current impact fee for water service is \$3,215 per ESFC, and the impact fee for wastewater service is \$2,419 per ESFC.

In its first four bond issues the District funded water impact fees for 309 ESFCs and wastewater impact fees for 288 ESFCs. The District is funding water and wastewater impact fees in this bond issue for 61 ESFCs, bringing the totals to 370 ESFCs in water impact fees and 349 ESFCs in wastewater impact fees.

F. CONCLUSIONS

- 1. Based on \$67,200,000 in unlimited tax bonds approved by voters for water, wastewater, and drainage facilities and \$14,195,000 previously approved by the TCEQ and issued by the District for utilities, the District has sufficient voter-authorized utility bonds (\$53,005,000) for the proposed utility bond issue.
- 2. Based on \$4,000,000 in unlimited tax bonds approved by voters on November 2, 2004 for park and recreational facilities and no bonds previously approved by the TCEQ or issued by the District for park and recreational facilities, the District has \$4,000,000 in remaining voter-authorized bonds for recreational facilities.
- 3. Based on the review of the engineering report, plans, specifications, and supporting documents, the bond issue is considered feasible and meets the economic feasibility criteria established by 30 TAC Section 293.59.
- 4. The recommendations are made under authority delegated by the Executive Director of the TCEQ.

G. RECOMMENDATIONS

1. Approve the bond issue in the amount of \$3,650,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 5.23%.
2. Grant a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47(a)(1).
3. Direct the District that it may expend funds for the purchase of facilities to be conveyed to the City without the need for a pre-purchase inspection pursuant to 30 TAC Section 293.69(h).
4. Direct the District that for facilities not conveyed to the City of League City, the District should not purchase facilities or assume facility contracts from the developer, until TCEQ staff has inspected the project, reviewed the contract administration, and given written authorization to finalize the purchase or assumption as required by 30 TAC Section 293.69.
5. Direct the District to post an additional name sign in accordance with 30 TAC Section 293.101.
6. Standard recommendations regarding developer interest, consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.