



FELDMAN & FELDMAN LLP

CRISTEN D. FELDMAN  
Cris.Feldman@feldman.law

DAVID M. FELDMAN  
David.Feldman@feldman.law  
*Board Certified – Labor and Employment Law*  
*Texas Board of Legal Specialization*

GEORGE W. VIE III †  
George.Vie@feldman.law  
*Board Certified – Civil Appellate Law*  
*Texas Board of Legal Specialization*  
† Licensed in Hawaii and Texas

3355 WEST ALABAMA ST., SUITE 1220  
HOUSTON, TEXAS 77098  
TELEPHONE: 713-986-9471  
FACSIMILE: 713-986-9472  
WWW.FELDMAN.LAW

BENJAMIN W. ALLEN  
Ben.Allen@feldman.law

CASEY T. WALLCE  
Casey.Wallace@feldman.law

SHANNON R. SMITTICK †  
Shannon.Smittick@feldman.law  
† Licensed in California and Texas

WILLIAM X. KING †  
Will.King@feldman.law  
† Licensed in California and Texas

November 30, 2018

Nghiem Doan  
City Attorney  
City of League City  
300 W. Walker St.  
League City, Texas 77573

*Via Email (nghiem.doan@leaguecity.gov)*

*Via Certified Mail*

*Return Receipt Requested*

Re: Requests for Approval of Unlimited Tax Bonds, Series 2018 (Bond Issue #13)  
and Bond Issue #14, by Galveston County MUD No. 6

Dear Mr. Doan,

Please be advised that the undersigned has been retained by Galveston County MUD No. 6 ("District") to make the subject requests of the City of League City ("City"), pursuant to the Utility Agreement between the District and the City dated June 14, 1979, ("Agreement"), and to further represent the District's interests in pursuing any necessary legal action arising therefrom. While the Agreement provides that any notice to the City be furnished to its Mayor (and such notice as to Unlimited Tax Bonds, Series 2018, was so provided by correspondence dated May 14, 2018, from the District's President, Dr. Wayne Shipman), I am submitting the subject requests to you, in your capacity as City Attorney, given the statement contained in your correspondence to the District's Bond Counsel, Neil Thomas, and its General Counsel, Dick Gregg, III, dated May 15, 2018, regarding approval of Bond Issue No. 13, "that all communications regarding this subject matter be directed to [your] attention as the City's legal counsel." It is my expectation, therefore, that this correspondence to you meets the general notice requirements of the Agreement and that you will furnish a copy of same to the Mayor. If you believe I should submit this correspondence directly to the Mayor, please advise me immediately.

I have carefully reviewed your correspondence of May 15, 2018, referenced above, wherein you also state that "staff cannot recommend approval of the requested ratification [as to Bond Issue No. 13], because said action, absent an amendment to the existing Utility Agreement, would obligate the City to continue making the tax rebate payments for an additional six years until 2030." By so stating, you acknowledge that the City is already obligated to make tax rebate payments with respect to previously approved bonds until their maturity in 2024, and further, that the previous denial of approval of Bond Issue No. 13, as evidenced by the City's Council's failure to act on Dr. Shipman's May 14, 2018 request, was premised, at least in part, on the City's unwillingness to obligate itself to make tax rebate payments in connection with the Unlimited Tax

Mr. Nghiem Doan  
November 30, 2018  
Page 2 of 2

Bonds, Series 2018, which mature in 2030. I have likewise carefully reviewed your additional correspondence to Mr. Gregg dated July 13, 2018, wherein you then, conversely, deny that the City would have any obligation to make tax rebate payments beyond June 13, 2019, which marks the completion of the term of the Agreement.

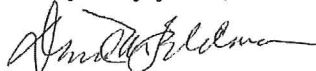
Without going into elaborate detail (which can be saved for another day in the event legal action must be taken by the District as provided for under the Agreement), suffice it to say that the District strongly disagrees with the positions you stake out on behalf of the City in your correspondence to Mr. Gregg of July 13, 2018 – (1) the Agreement is, indeed, valid and enforceable; (2) consistent with the acknowledgement in your May 15, 2018 correspondence, the City's obligation to make tax rebate payments goes beyond the term of the Agreement to the point, as stated in the Agreement, that the District's bonds are discharged; and (3) that the City has no reasonable basis for withholding (or continuing to withhold) approval of the application for Bond Issue #13, heretofore presented, which was effectively communicated to City staff before any bonds were issued.

As stated above, the District also now requests approval of its application for Bond Issue #14, in the amount of \$3,670,000. The financial information supporting such application is attached. The construction costs outlined would mark the completion of the System which is the basis of the Agreement. Such bonds would likewise mature in 2030, and would be issued prior to expiration of the Agreement, all as indicated in Dr. Shipman's letter to Mayor Hallisey of May 14, 2018.

It appears that you previously informed Dr. Shipman, in connection with Bond Issue #13, that since the staff would not recommend its approval he would need to get the Mayor and two Council members to place it on a Council meeting agenda. Given the provision in the Agreement that approval cannot be unreasonably withheld, and further, that Section 54.016 of the Texas Water Code dictates that "A city shall not refuse to approve a district bond issue for any reason except that the district is not in compliance with valid consent requirements applicable to the district," the City, at a minimum, has a duty to place the requests set forth herein on an agenda for City Council's consideration in a timely manner. Thusly, the District submits the subject requests for consideration at the December 11, 2018, meeting of your City Council. Failure of the City to do so would in and of itself be considered a breach of the Agreement and the City's statutory obligation, thusly triggering the District's use of the arbitration procedure set forth in the Agreement.

It is not the District's desire to have to pursue it's legal remedies in this matter and we would urge Council's timely consideration and approval of the subject requests. If you are in need of any additional information to facilitate Council's consideration, please let me know, and it will promptly be provided to you.

Very truly yours,



David M. Feldman



## SECTION 4-SUMMARY OF COSTS

<u>Construction Costs</u>	<u>Amount</u>	<u>District's Share</u>
A. Developer's Contribution Items		
1. Magnolia Creek Section Fourteen		
a. Water Items	\$ 132,039	\$ 132,039
b. Sanitary Sewer Items	\$ 255,606	\$ 255,606
c. Storm Sewer Items	\$ 498,471	\$ 498,471
d. Clearing and Grubbing Items	\$ 0	\$ 0
e. Miscellaneous Items	\$ 3,500	\$ 3,500
f. Change Order No. 1	\$ 42,000	\$ 11,127
g. Engineering	\$ 144,880	\$ 144,880
h. Materials Testing	\$ 29,475	\$ 29,475
i. Storm Water Pollution Prevention	\$ 52,170	\$ 52,170
j. Surveying	\$ 2,668	\$ 2,668
k. <u>Capital Recovery Fees</u>	\$ 569,034	\$ 569,034
Subtotal	\$1,729,843	\$1,698,970
2. Magnolia Creek Section Fifteen		
a. Water Items	\$ 92,801	\$ 92,801
b. Sanitary Sewer Items	\$ 190,786	\$ 190,786
c. Drainage Facilities	\$ 294,637	\$ 294,637
d. Clearing and Grubbing Items	\$ 102,040	\$ 0
e. Miscellaneous Items	\$ 0	\$ 0
f. Change Order No. 1	\$ 36,910	\$ 36,910
g. Change Order No. 2	\$ 6,150	\$ 0
h. Engineering	\$ 74,884	\$ 74,884
i. Materials Testing	\$ 16,606	\$ 16,606
j. Storm Water Pollution Prevention	\$ 26,623	\$ 26,623
k. Surveying	\$ 2,000	\$ 2,000
l. <u>Capital Recovery Fees</u>	\$ 523,962	\$ 523,962
Subtotal	\$1,367,399	\$1,259,209
3. Magnolia Creek Section Eleven & Twelve Remaining Capital Recover Fees		
a. <u>Capital Recovery Fees</u>	\$ 191,556	\$ 191,556
Subtotal	\$ 191,556	\$ 191,556
Total Developer Contribution Items:	\$3,288,798	\$3,149,735
TOTAL CONSTRUCTION COSTS (85.82%)	\$3,288,798	\$3,149,735

B. Non-construction Costs

1. Legal Fees (2%)	\$ 73,400
2. Fiscal Agent Fees (2%)	\$ 73,400
3. Developer Interest (3.75% capped at 2 years)	\$ 177,489
4. Bond Discount (3%)	\$ 110,100
5. Bond Issuance Expense	\$ 35,000
6. Bond Application Report Costs	\$ 38,031
7. Attorney General's Fee (0.10%)	\$ 3,670
8. <u>TCEQ Bond Issuance Fee (0.25%)</u>	<u>\$ 9,175</u>
TOTAL NON CONSTRUCTION COSTS (14.18%)	\$ 520,265

<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$3,670,000</b>
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