

Brooke T. Paup, *Chairwoman*
Bobby Janecka, *Commissioner*
Catarina R. Gonzales, *Commissioner*
Kelly Keel, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 15, 2025

Katie Wall Lee-Faulk, President
Galveston County MUD No. 36
% Allen Boone Humphries Robinson, LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

Christina Miller
Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

RE: Galveston County Municipal Utility District No. 36

This letter is your notice that the Texas Commission on Environmental Quality (TCEQ) executive director (ED) has acted on the above-named application. According to 30 Texas Administrative Code (TAC) Section 50.135 the ED's action became effective on the date the ED signed the permit or other action. A copy of the final action is enclosed and cites the effective date.

For certain matters, a **motion to overturn**, which is a request that the commission review the ED's action on an application, may be filed with the chief clerk. Whether a motion to overturn is procedurally available for a specific matter is determined by Title 30 of the Texas Administrative Code Chapter 50. According to 30 TAC Section 50.139, an action by the ED is not affected by a motion to overturn filed under this section unless expressly ordered by the commission.

If a motion to overturn is filed, the motion must be received by the chief clerk within 23 days after the date of this letter. An original motion must be filed with the chief clerk in person or by mail. The Chief Clerk's mailing address is Office of the Chief Clerk (MC 105), TCEQ, P.O. Box 13087, Austin, Texas 78711-3087. On the same day the motion is transmitted to the chief clerk, please provide copies to the Environmental Law Deputy Director (MC 173), and the Public Interest Counsel (MC 103), both at the same TCEQ address listed above. If a motion is not acted on by the commission within 45 days after the date of this letter, then the motion shall be deemed overruled.

You may also request **judicial review** of the ED's action. The procedure and timelines for seeking judicial review of a commission or ED action are governed by Texas Water Code Section 5.351.

Individual members of the public may seek further information by calling the TCEQ Public Education Program, toll free, at 1-800-687-4040.

Sincerely,

A handwritten signature in cursive script that reads "Laurie Gharis".

Laurie Gharis
Chief Clerk

LG/mm

cc: Garrett T. Arthur, TCEQ Public Interest Counsel (MC 103)



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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 15, 2025

Ms. Katie Wall Lee-Faulk, President
Galveston County Municipal Utility District No. 36
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

Re: Issuance of unlimited tax bonds by Galveston County Municipal Utility District No. 36 (District) in the amount of \$10,435,000 at a maximum net effective interest rate of 5.44% and the use of \$275,000 in surplus funds.

Dear Ms. Wall Lee-Faulk:

Enclosed are certified copies of an Order of the Texas Commission on Environmental Quality (TCEQ) approving your District's project and the issuance of \$10,435,000 in bonds at a maximum net effective interest rate of 5.44% to finance the District's project, 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 estimated taxable assessed valuation discussed in the TCEQ memorandum associated with the District's application, we have concluded that initially a tax rate of at most \$1.10 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 \$1,492,896.

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.

Ms. Katie Wall Lee-Faulk, President

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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,



Michele Risko, Deputy Director
Water Supply Division
Texas Commission on Environmental Quality

MR/ds

Enclosures

cc: Ms. Christina Miller - Allen Boone Humphries Robinson LLP - 3200 Southwest Freeway - Suite 2600 - Houston, Texas 77027

Mr. Kyle Kern, P.E. - Dannenbaum Engineering Corporation - 3100 West Alabama Street - Houston, Texas 77098

Ms. Anthea Moran - Masterson Advisors LLC - 3 Greenway Plaza - Suite 1100 - Houston, Texas 77046

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

JUL 15 2025

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



OF THE COMMISSION, GIVEN UNDER MY HAND AND THE
SEAL OF OFFICE ON
Jaurie Gharia
JAURIE GHARIA, CHIEF CLERK
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AN ORDER APPROVING (1) AN ENGINEERING PROJECT AND THE ISSUANCE OF \$10,435,000 IN UNLIMITED TAX BONDS AND (2) USE OF \$275,000 IN SURPLUS FUNDS FOR GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 36

An application by Galveston County Municipal Utility District No. 36 (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 the issuance of \$10,435,000 in bonds and the use of \$275,000 in surplus funds to finance: an additional portion of Westland Ranch Sections 1, 3 and 6, Maple Leaf Drive and Muldoon Parkway - W, WW, D. 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 April 18, 2025, for approval of a proposed engineering project and the issuance of \$10,435,000 in bonds and the use of \$275,000 in surplus funds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. The project site was investigated by a member of the Districts Section on June 9, 2025, and a memorandum was prepared on the project dated June 30, 2025, a copy of which is attached and made a part hereof.
4. The District's project and issuance of \$10,435,000 in bonds at a maximum net effective interest rate of 5.44% to finance the project should be approved. Further, the District should be directed that the bonds are to be sold only upon the District receiving a credit enhanced rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b).
5. The request for a waiver of the 30% developer contribution requirement should be granted in accordance with 30 TEX. ADMIN. CODE § 293.47(a)(3) if the District obtains a credit enhanced rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b).
6. The request for approval to use \$275,000 in surplus funds as shown in the summary of costs to reduce the bond issue requirement should be granted.
7. The District should be directed not to 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 TEXAS ADMIN. CODE § 293.69.

8. 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.

9. 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.

10. 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 June 30, 2025, on this engineering project and bond issue 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 June 30, 2025, 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. 36 is hereby approved together with the issuance of \$10,435,000 in bonds at a maximum net effective interest rate of 5.44%. Further, the District is directed that the bonds are to be sold only upon the District receiving a credit enhanced rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b). The request for a waiver of the 30% developer contribution requirement associated with this bond issue is granted in accordance with 30 TEX. ADMIN. CODE § 293.47(a)(3) if the District obtains a credit enhanced rating on the bonds as defined in 30 TEX. ADMIN. CODE § 293.47(b). The request to use \$275,000 in surplus funds as shown in the summary of costs to reduce the bond issue requirement is granted. The District is directed not to 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 from 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), that has 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: **July 11, 2025**



For the Commission



Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Justin P. Taack, Manager
Districts Section  **Date:** June 30, 2025
7/3/2025

Thru: Daniel Finnegan, Team Lead
Districts Section

From: Darryl K. Smith, P.E.
Districts Bond Team

Subject: Galveston County Municipal Utility District No. 36; Application for Approval of \$10,435,000 Unlimited Tax Bonds, Second Issue, 5.44% Net Effective Interest Rate; Pursuant to Texas Water Code Section 49.181; and Use of \$275,000 in Surplus Funds.
TCEQ Internal Control No. D-04182025-028 (TC)
CN: 603130600 RN: 105387724

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received an application from Galveston County Municipal Utility District No. 36 (District) requesting approval for the issuance of \$10,435,000 in unlimited tax bonds and the use of \$275,000 in surplus funds to finance the district's share of the following projects:

Additional portion of Westland Ranch Sections 1, 3 and 6, Maple Leaf Drive and Muldoon Parkway - W, WW, D

The District's previous bond issue funded utilities to serve 165 ESFCs on 56.03 acres. According to the engineering report, the District's ultimate development is projected to serve 1,142 ESFCs on 301.43 developable (370.46 total) acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

The feasibility of this bond issue is based on no-growth to a December 15, 2024, estimated taxable assessed valuation of \$143,785,169. A market study has not been provided and is not required since the feasibility of this bond issue is based on no-growth.

According to a Galveston Central Appraisal District certificate, the District's December 15, 2024, estimated taxable assessed valuation is \$143,785,169. The annual debt service requirement for a \$10,435,000 bond issue and existing debt averages \$1,492,896 for the 26-year life of the District's bond debt. According to the engineering report, the District levied a maintenance tax rate of \$0.55 in 2024 and is projecting to levy a maintenance tax rate of \$0.242 in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$10,435,000 bond issue, no-growth to a December 15, 2024, estimated taxable assessed valuation of \$143,785,169, a 5.25% bond interest rate, 12 months of capitalized interest, a 3% bond discount, a 97% collection rate, and a projected tax rate of approximately \$1.10 per \$100 assessed valuation.

A TCEQ Districts Section's financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rates would be sufficient.

District	<u>Projected Tax Rate</u>
Debt Service	\$1.100 ⁽¹⁾⁽²⁾
Maintenance Tax	\$0.242
City of League City (City)	
W,WW & D Tax	<u>\$0.150</u>
Total District Taxes	\$1.492 ⁽³⁾

Notes

- (1) Based on a proposed \$10,435,000 bond issue, existing debt, a net effective interest rate of 5.44 %, a 97% tax collection rate, 12 months of capitalized interest, no-growth to a December 15, 2024, estimated taxable assessed valuation of \$143,785,169, 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 rate of at most \$1.10 per \$100 assessed valuation.
- (3) 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 \$1.49 not exceeding \$1.50 pursuant to 30 TAC Sections 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSIS

Water Supply

The District receives groundwater from the City pursuant to the Amended and Restated Utility Agreement by and between Forestar (USA) Real Estate Group, Inc., and the City, assigned to the District on March 11, 2020 (collectively "Utility Agreement"). The District has no on-site water wells. Furthermore, the District receives surface water from the City pursuant to the Utility Agreement. The City agrees to partner with the District in maintaining current facilities and planning for future expansion to serve the District's customer needs. The City is obligated by the Utility Agreement to meet full build out water supply requirements.

The District's water supply, provided by City, is capable of serving the 226 ESFC's necessary to support the feasibility of this proposed bond issue.

The District has no interconnects.

Wastewater Treatment

Wastewater treatment is provided by the City from its Southwest wastewater treatment plant (WWTP). The WWTP is regulated by TPDES Permit No. WQ0010568008. The City is obligated by the Utility Agreement to meet full build out wastewater treatment requirements.

The District's wastewater treatment facilities, provided by the City, are capable of serving the 226 ESFC's necessary to support the feasibility of this proposed bond issue.

Storm Water Drainage

Storm drainage is collected in storm sewers and discharges to the District's detention basins which convey flow to Dickinson Bayou and ultimately into Galveston Bay.

Purchase of Existing Facilities and/or Assumption of Existing Contracts

<u>Project Description</u>	<u>Contractor</u>	<u>% Complete (Date)</u>	<u>Contract Amount</u> ⁽¹⁾	<u>Amt. Subj. to Distr. Contrib.</u>
Westland Ranch Sections 1, 3 and 6, Maple Leaf Drive and Muldoon Parkway - W, WW, & D	Principal Services, LTD	100% (4/2024)	\$19,259,703	\$12,898,903 ⁽²⁾ \$6,930,298 ⁽³⁾

Notes:

- (1) Based on original contract amount awarded to the contractor plus or minus change orders and final quantity adjustments.
- (2) Represents the remaining amount eligible for reimbursement. Based on final contract amount minus \$3,994,729 for non-reimbursable items and ineligible paving related costs and minus \$2,366,071 reimbursed in the previous bond issue, as deducted in application material.
- (3) The District is seeking a partial reimbursement (approximately 53.73%) of the remaining eligible amount in this bond application. The remaining 46.27% (\$5,968,605) is proposed for a future bond issue(s).

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

Facilities to be Constructed

None.

Inspection

The District was investigated by the TCEQ's Districts Section on June 9, 2025. The District appeared as represented in the engineering report. District name signs were properly posted.

D. SUMMARY OF COSTS

<u>Construction Costs</u>	<u>District's Share</u> ⁽¹⁾
A. Developer Contribution Items	
1. Westland Ranch Sections 1, 3 and 6, Maple Leaf Drive and Muldoon Parkway - W, WW, & D	\$ 6,930,298
2. Engineering (Item No. 1)	<u>662,331</u>

Total Developer Contribution Items	\$ 7,592,629	
B. District Items - None		
TOTAL CONSTRUCTION COSTS	\$ 7,592,629	
Less Surplus Funds	<u>(275,000)</u>	
NET CONSTRUCTION COSTS (70.13% of BIR)	\$ 7,317,629	
<u>Non-Construction Costs</u>		
A. Legal Fees	248,700	(2)
B. Fiscal Agent Fees	189,025	(3)
C. Developer Interest (5.25%)	1,643,353	(4)
D. Capitalized Interests (1 years @5.25%)	547,838	
E. Bond Discount (3%)	313,050	
F. Administrative and Operational Costs (Developer Advances)	34,016	(5)
G. Bond Issuance Expenses	50,801	
H. Bond Application Report	55,000	
I. Attorney General Fee (0.10% or \$9,500 max)	9,500	
J. TCEQ Bond Issuance Fee (0.25%)	<u>26,088</u>	
TOTAL NON-CONSTRUCTION COSTS	\$ 3,117,371	
TOTAL BOND ISSUE REQUIREMENT	\$ 10,435,000	

Notes:

- (1) The District has requested a waiver of the 30% developer contribution requirement of 30 TAC Section 293.47.
- (2) Pursuant to the contract provided, legal fees are 3.0% of the first \$3,000,000 of bonds issued; plus 2.5% of bonds issued between \$3,000,000 and \$5,000,000; plus, an amount equal to 2% of the principal amount of such bonds above \$5,000,000 not to exceed \$15,000,000 in bonds.
- (3) Pursuant to the contract provided, fiscal fees are 2.0% of the first \$5,000,000 bonds issued; plus 1.75% of the next \$3,000,000 in bonds issued; plus 1.5% of the bond issue amount over \$8,000,000.
- (4) Estimated at 5.25% with a proposed funding date of September 24, 2025, with up to 2 years interest requested.
- (5) Represents reimbursement of developer advances (remaining portion) paid August 2, 2022.

E. SPECIAL CONSIDERATIONS

1. Waiver of the 30% Developer Contribution

By board resolution, the District has requested a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47(a)(3), based on obtaining a credit enhanced rating on the bonds. By letter dated February 4, 2025, the District's financial advisor has indicated that the District anticipates that the proposed bonds should receive a credit enhanced rating. Accordingly, staff recommends a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47(a)(3). Further, the bonds are to be sold only upon the District obtaining a credit enhanced rating to meet the requirements of 30 TAC Section 293.47.

2. Surplus Funds

The District's board resolution requesting approval of the \$10,435,000 bond issue also included a request for Commission approval of the use of \$275,000 in surplus funds to finance a portion of the projects. A letter from the District's bookkeeper has been received stating that the District has a surplus funds balance of \$290,424.52 as of April 14, 2025. Commission staff recommends approval of the requested use of \$275,000 in surplus funds to finance a portion of the projects as presented in the cost summary.

F. CONCLUSIONS

1. Based on \$92,100,000 in unlimited tax bonds approved by voters for water, wastewater, and drainage facilities and \$7,270,000 bonds previously approved by the TCEQ and issued by the District for water, wastewater, and drainage facilities, the District has sufficient voter-authorized bonds (\$84,830,000) for the proposed bond issue.
2. Based on the review of the engineering report, plans, specifications, and supporting documents, the bond issue is considered feasible and meets the criteria established by the TCEQ's economic feasibility rules, 30 TAC Section 293.59.
3. 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 \$10,435,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 5.44%. Further, direct that the bonds are to be sold only upon the District receiving a credit enhanced rating on the bonds as defined in 30 TAC Section 293.47(b).
2. Grant a waiver of the 30% developer contribution requirement pursuant to 30 TAC Section 293.47(a)(3) if the District obtains a credit enhanced rating on the bonds as defined in 30 TAC Section 293.47(b).
3. Approve the use of \$275,000 in surplus funds to partially fund project costs in order to reduce the bond issue requirement.
4. Standard recommendations regarding purchase of facilities, developer interest, consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.

