

# Rancho Isabella Municipal Utility District Bond Issuance Process

Presenters:

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## **A. Municipal Utility District Financing Generally**

1. Reimbursement Program for Eligible Projects
2. Texas Commission on Environmental Quality (“TCEQ”) Regulation, including Feasibility Rules (30 TAC 293.59)
  - i. Developer is only reimbursed if enough assessed value is created within the MUD to produce adequate tax revenues to pay debt service on the bonds.
  - ii. Developer bears all of the risk.
  - iii. Developer entitled to 70% reimbursement under the rules. May receive 100% reimbursement only if certain strict financial criteria met.
  - iv. Bonds are obligation only of the District and not the City, County, or other entities.

## **B. Bond Issuance Process**

1. Monitor appraised values within the District, and determine what debt service tax collections are available to support issuance of bonds.
2. Engineer prepares Summary of Costs that lists eligible projects and associated costs to be reimbursed.
3. District submits Bond Application Report to TCEQ:
  - i. Prepare application in accordance with Subchapter E of 30 TAC 293 of the TCEQ rules, including:
    1. Evidence of Board of Directors authorizing the application,
    2. Description of district, authority to issue bonds, land use plan, status of development and construction of facilities, description of facilities to be funded, summary of costs, description of water and wastewater service, financing information (i.e. feasibility of bond issue), construction plans and contracts
  - ii. Expedited (60 day) or Non-Expedited Review (180 days).
  - iii. Receive TCEQ Order granting authority to issue bonds under certain parameters.
  - iv. Applies to water, sanitary sewer, drainage, and recreational facilities projects.
4. Preparation of Bond Offering Documents: Official Statement, Notice of Sale and Bid Form, Bond Order, Paying Agent Agreement.
  - i. Per City of Angleton Ordinance 30-44, the District must transmit the financing pro-forma, TCEQ staff memorandum and Order, Preliminary Official Statement, Notice of Sale, Bid Form, and Bond Order to the City at least 20 days prior to publication of Notice of Sale.

- ii. City provided with 30 days to review and verify compliance with MUD Consent Conditions and City Ordinance.
5. Notice of Sale published 10 days prior to bond sale.
6. Bonds sold via public sale to bidder that produces the lowest net effective interest rate.
7. District submits transcript to Office of the Attorney General for review. AG has a 10 business day review period.
8. Attorney General issues approval letter and bonds are registered with the Comptroller of Public Accounts.
9. Closing of the transaction; proceeds are distributed to City (impact fees), Developer, District, and Paying Agent as applicable.

**C. Series 2023 (Water, Sewer, and Drainage) and Series 2023A (Road) Bonds**

1. A detailed timeline of events for the two series of bonds to be sold by Rancho Isabella MUD this fall is attached.
2. The MUD intends to sell bonds for both water, sewer, and drainage and road facilities.
3. The Series 2023 (WSD) Bonds include funds to be paid to the City for impact fees associated with Section 1 of Windrose Green. The District will continue to fund impact fee payments in future bond issues in accordance with the utility agreement between the City and the MUD.
4. Given the tight timelines to sell and close two bond issues this fall, the TCEQ Order and Staff Memorandum for the Series 2023 (WSD) Bonds will need to be submitted to the City as follow-up items, as the District may not have these items in hand early enough to meet deadlines under City ordinance.

**D. Questions from Council and Staff**

**Attachments:**

Proposed Financing Timeline