



**FAIR OAKS RANCH MUNICIPAL DEVELOPMENT DISTRICT
CONSIDERATION ITEM
CITY OF FAIR OAKS RANCH, TEXAS
October 11, 2023**



AGENDA TOPIC: Consideration and possible action on debt issuance options for the District.

DATE: October 11, 2023

PRESENTED BY: Summer Fleming, MDD Investment Officer

INTRODUCTION/BACKGROUND:

At its regular meeting on July 12, 2023, the Fair Oaks Ranch Municipal Development District ("MDD") authorized the execution of an Amendment to the Chapter 377 Project Funding Agreement between the MDD and the City for development of a civic center. The amendment increased the awarded grant from \$600,000 to \$1.2 million and extended the expiration date by 1,095 days from the date the amendment was fully executed.

During the discussion of said amendment, the District's legal representative mentioned Local Government Code Sec. 377.072 (c)(3) which allows the District to pay the costs of operating or maintaining a development project while bonds or other obligations for the planning, acquisition, establishment, development, construction, or renovation are outstanding.

The MDD has the option to issue revenue bonds backed by gross receipts of sales taxes. SAMCO Capital has created an example payment schedule based on similar deals that have sold in the market more recently. Not all MDD sales tax deals are the same and actual bond covenants may be different than what is proposed.

POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:

- The use of MDD funds for a civic center represents the use of sales tax proceeds to develop an asset that should provide enduring value to the citizens of Fair Oaks Ranch.
- Issuing debt allows the District to remain in a sound position for cash flows and capacity to consider other projects.

LONGTERM FINANCIAL & BUDGETARY IMPACT:

Issuing \$1.2 million in debt for the civic center grant over 20 years at 6% interest would cost the District \$851,400 in interest over the term of the debt. The annual debt payment would be budgeted each year and range from \$99,250 to \$104,500. See **Exhibit A** for full amortization schedule.

LEGAL ANALYSIS:

N/A

RECOMMENDATION/PROPOSED MOTION:

This presentation is for informational purposes only.