

# Update on Bond Issuance

for

*Lake McQueeney  
Water Control and Improvement District No. 1*



**POST OAK**  
MUNICIPAL ADVISORS

*Presented February 11, 2021*

# Update on Bond Issuance

Lake McQueeney Water Control and Improvement District No. 1

## Summary of Bond Issuance Scenarios – August 2020

	Scenario 1: \$40M at Market	Scenario 2: \$36M at 0.5%	Scenario 3: \$36M at 1.0%	Scenario 4: \$36M at Market
<b>Project Amount</b>	\$40,000,000	\$36,000,000	\$36,000,000	\$36,000,000
Capitalized Interest	1,361,125	182,675	367,200	1,223,313
Costs of Issuance	556,500	352,325	352,800	505,500
Less: Bond Premium	(1,917,625)	0	0	(1,779,813)
<b>Bond Issue Amount</b>	<b>\$40,000,000</b>	<b>\$36,535,000</b>	<b>\$36,720,000</b>	<b>\$36,000,000</b>
All-In True Interest Cost Rate	2.58%	0.56%	1.06%	2.58%
<b>Tax Rate per \$100 Taxable Value</b>	<b>\$0.350</b>	<b>\$0.225</b>	<b>\$0.245</b>	<b>\$0.320</b>
Annual Taxes for \$500,000 Taxable Value	\$1,750	\$1,125	\$1,225	\$1,600
Annual Taxes for \$1,000,000 Taxable Value	\$3,500	\$2,250	\$2,450	\$3,200
<b>Estimated Bond Issuance Expenses:</b>				
Bond Counsel (GBRA)	\$145,000	\$124,210	\$125,320	\$121,000
Bond Counsel (WCID)	95,000	95,000	95,000	95,000
Financial Advisor (GBRA)	60,000	54,803	55,080	54,000
Financial Advisor (WCID)	60,000	54,803	55,080	54,000
Disclosure Counsel/Trustee Counsel	25,000	5,000	5,000	25,000
Attorney General	9,500	9,500	9,500	9,500
TCEQ Fee	100,000	0	0	90,000
Bond Application Report	25,000	0	0	25,000
Bond Rating	30,000	0	0	25,000
Offering Document	2,500	0	0	2,500
Paying Agent/Trustee Fees	2,000	5,000	5,000	2,000
Miscellaneous	2,500	4,010	2,820	2,500
<b>Total Bond Issuance Expenses</b>	<b>\$556,500</b>	<b>\$352,325</b>	<b>\$352,800</b>	<b>\$505,500</b>
Percent of Bond Issuance Amount	1.4%	1.0%	1.0%	1.4%
(Note: Underwriter's Discount is included in the All-In True Interest Cost Rate)				

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## TWDB Notice of Rate Change

The amount of SRF funds requested, combined with a historically low-interest rate environment for municipal bonds, compels us to make some changes to the interest rates we can offer for your loans, which are reflected in the amended IUP. As you may know, the program's capacity and long-term sustainability depend on a number of factors, which includes income from interest rates.

As a result, for all existing applications under the SFY 2020 Intended Use Plan, the TWDB will establish a minimum interest rate floor that will provide significant long-term financial benefits to the SRFs, while at the same time offering you a lower interest rate than available under the SFY 2021 IUP.

The draft amended SFY 2020 IUPs for both the Clean Water and Drinking Water SRF programs will propose a minimum interest rate or floor as follows:

The minimum annual interest rate (per maturity for bonds or for each interest payment for loans) for the Thomson Reuters Municipal Market Data (MMD) rating scale and for Non-rated securities for both Equivalency and Non-Equivalency funding adjusted for yield to maturity is:

AAA	AA	A	Baa and Non-rated
0.45%	0.60%	0.80%	1.10%

The minimum interest rate or floor applies to all commitments made after the effective date of the amended IUP.

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## Impact of Rate Change

The impact of the rate change is two-fold:

- Interest rate floor (higher interest rates for shorter-term maturities).
- Interest rate calculation now based on Yield to Maturity rather than Yield to Call (more dramatic increase for longer-term maturities).

Sample of interest rate impact based on TWDB changes:

Maturity Date	Coupon	Yield to Call	Price to Call	Yield to Maturity	Interest Rate Based on Yield to Call	Interest Rate Based on Yield to Maturity	Change in Interest Rate
8/15/2022	5.00%	0.20%	105.68	0.09%	0.00%	0.60%	0.60%
8/15/2027	5.00%	0.54%	127.84	0.30%	0.00%	0.60%	0.60%
8/15/2032	5.00%	1.00%	139.45	1.22%	0.00%	0.60%	0.60%
8/15/2037	5.00%	1.25%	136.31	2.30%	0.00%	1.00%	1.00%
8/15/2042	5.00%	1.67%	133.93	2.85%	0.37%	1.55%	1.18%
8/15/2047	5.00%	1.78%	132.37	3.17%	0.48%	1.87%	1.39%
8/15/2051	5.00%	1.82%	131.93	3.32%	0.52%	2.02%	1.50%

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## Assumptions for Updated Bond Issuance Scenario

Project	
Total cost for WCID	\$36 Million
Start date	2/1/2022
Completion date	2/1/2024

Other Revenues/Expenses	
Annual hydro revenues (beginning 2024)	\$430,000
Annual admin costs (beginning 2022)	\$100,000
Annual M&O costs (beginning 2024)	\$150,000

Property Taxes	
Property value growth rates (tax year as of January 1):	
2022 - 2025	5.0%
2026 - 2040	2.0%
Thereafter	1.0%
Tax collections rate	95.0%

Bonds	
Sale Date	1/15/2022
Final Maturity	8/15/2051
Capitalized interest	\$0
Issuance Expenses	1.0%-1.4%

### Notes:

- GBRA portion of project costs (\$1.2 million) and associated debt service payments to be made by GBRA have been removed, but increased estimated project costs for WCID to \$36 million
- Using current TWDB interest rates (preliminary and will change until locked in)
- Beginning taxable value (tax year 2021) has increased
- Eliminated capitalized interest because not needed at the current interest rates



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## Summary of Updated Bond Issuance Scenario – February 2021

<b>Project Amount</b>	<b>\$36,000,788</b>
Capitalized Interest	0
Costs of Issuance	914,212
<b>Bond Issue Amount</b>	<b>\$36,915,000</b>
All-In True Interest Cost Rate	1.66%
<b>Tax Rate per \$100 Taxable Value \$0.280</b>	
Annual Taxes for \$500,000 Taxable Value	\$1,400
Annual Taxes for \$1,000,000 Taxable Value	\$2,800
Estimated Bond Issuance Expenses:	
Paid from Bond Proceeds:	
Bond Counsel to GBRA	\$100,000
Financial Advisor to GBRA	131,250
Fiscal/Legal	26,060
Issuance Costs	22,000
Loan Origination Fee	634,902
	<u>914,212</u>
Paid from Other Funds:	
Bond Counsel to WCID 1	95,000
Financial Advisor to WCID 1	57,713
	<u>152,713</u>
<b>Total Bond Issuance Expenses</b>	<b><u><u>\$1,066,924</u></u></b>

# Update on Bond Issuance

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## Updated Bond Issuance Scenario – February 2021

Tax Collections								Debt Service Fund									
Tax Year	Taxable Value <sup>(a)</sup>	% Value Change	M&O Tax Rate	Debt Tax Rate	Total Tax Rate	Total Tax Levy	% Levy Change	Calendar Year	Tax Collections	GBRA Hydro Revenues	Total Available Funds	Bond Issuance <sup>(b)</sup>			Ending Fund Balance	% of Next Year's Debt Service	
											Principal <sup>(c)</sup>	Interest	Other Expenses <sup>(d)</sup>	Net Debt Service			
2021	\$433,642,650		\$0.0500	\$0.2300	\$0.2800	\$1,214,199		2022	\$947,509	\$0	\$947,509	\$0	(\$278,252)	(\$152,713)	(\$430,964)	\$516,545	108.3%
2022	455,325,000	5.00%	0.0500	0.2300	0.2800	1,274,910	5.00%	2023	994,885	0	1,511,430	0	(477,003)		(477,003)	1,034,427	63.2%
2023	478,091,250	5.00%	0.0500	0.2300	0.2800	1,338,656	5.00%	2024	1,044,629	430,000	2,509,056	(1,160,000)	(477,003)		(1,637,003)	872,053	53.2%
2024	501,995,813	5.00%	0.0500	0.2260	0.2760	1,385,508	3.50%	2025	1,077,785	430,000	2,379,838	(1,170,000)	(470,043)		(1,640,043)	739,795	45.2%
2025	527,095,603	5.00%	0.0500	0.2221	0.2721	1,434,001	3.50%	2026	1,111,931	430,000	2,281,726	(1,175,000)	(463,023)		(1,638,023)	643,703	39.2%
2026	537,637,515	2.00%	0.0500	0.2261	0.2761	1,484,191	3.50%	2027	1,154,604	430,000	2,228,307	(1,185,000)	(455,973)		(1,640,973)	587,334	35.8%
2027	548,390,265	2.00%	0.0500	0.2300	0.2800	1,535,493	3.46%	2028	1,198,233	430,000	2,215,567	(1,190,000)	(448,863)		(1,638,863)	576,704	35.1%
2028	559,358,071	2.00%	0.0500	0.2300	0.2800	1,566,203	2.00%	2029	1,222,197	430,000	2,228,901	(1,200,000)	(441,723)		(1,641,723)	587,178	35.8%
2029	570,545,232	2.00%	0.0500	0.2300	0.2800	1,597,527	2.00%	2030	1,246,641	430,000	2,263,820	(1,205,000)	(434,523)		(1,639,523)	624,297	38.1%
2030	581,956,137	2.00%	0.0500	0.2300	0.2800	1,629,477	2.00%	2031	1,271,574	430,000	2,325,871	(1,210,000)	(427,293)		(1,637,293)	688,578	42.0%
2031	593,595,260	2.00%	0.0500	0.2300	0.2800	1,662,067	2.00%	2032	1,297,006	430,000	2,415,583	(1,220,000)	(420,033)		(1,640,033)	775,550	47.4%
2032	605,467,165	2.00%	0.0500	0.2300	0.2800	1,695,308	2.00%	2033	1,322,946	430,000	2,528,496	(1,225,000)	(412,713)		(1,637,713)	890,783	54.3%
2033	617,576,508	2.00%	0.0500	0.2300	0.2800	1,729,214	2.00%	2034	1,349,405	430,000	2,670,188	(1,235,000)	(405,363)		(1,640,363)	1,029,825	62.7%
2034	629,928,038	2.00%	0.0500	0.2300	0.2800	1,763,799	2.00%	2035	1,376,393	430,000	2,836,218	(1,245,000)	(396,595)		(1,641,595)	1,194,623	72.8%
2035	642,526,599	2.00%	0.0500	0.2300	0.2800	1,799,074	2.00%	2036	1,403,921	430,000	3,028,544	(1,255,000)	(385,514)		(1,640,514)	1,388,030	84.8%
2036	655,377,131	2.00%	0.0500	0.2300	0.2800	1,835,056	2.00%	2037	1,431,999	430,000	3,250,029	(1,265,000)	(372,462)		(1,637,462)	1,612,567	98.5%
2037	668,484,674	2.00%	0.0500	0.2300	0.2800	1,871,757	2.00%	2038	1,460,639	430,000	3,503,206	(1,280,000)	(357,535)		(1,637,535)	1,865,671	113.7%
2038	681,854,367	2.00%	0.0500	0.2300	0.2800	1,909,192	2.00%	2039	1,489,852	430,000	3,785,523	(1,300,000)	(340,895)		(1,640,895)	2,144,628	131.0%
2039	695,491,454	2.00%	0.0500	0.2300	0.2800	1,947,376	2.00%	2040	1,519,649	430,000	4,094,276	(1,315,000)	(322,695)		(1,637,695)	2,456,581	150.0%
2040	709,401,284	2.00%	0.0500	0.2300	0.2800	1,986,324	2.00%	2041	1,550,042	430,000	4,436,623	(1,335,000)	(302,970)		(1,637,970)	2,798,653	170.5%
2041	716,495,296	1.00%	0.0500	0.2300	0.2800	2,006,187	1.00%	2042	1,565,542	430,000	4,794,195	(1,360,000)	(281,744)		(1,641,744)	3,152,452	192.3%
2042	723,660,249	1.00%	0.0500	0.2300	0.2800	2,026,249	1.00%	2043	1,581,198	430,000	5,163,650	(1,380,000)	(259,032)		(1,639,032)	3,524,618	214.9%
2043	730,896,852	1.00%	0.0500	0.2300	0.2800	2,046,511	1.00%	2044	1,597,010	0	5,121,628	(1,405,000)	(235,020)		(1,640,020)	3,481,608	212.3%
2044	738,205,820	1.00%	0.0500	0.2300	0.2800	2,066,976	1.00%	2045	1,612,980	0	5,094,588	(1,430,000)	(209,730)		(1,639,730)	3,454,858	210.9%
2045	745,587,879	1.00%	0.0500	0.2300	0.2800	2,087,646	1.00%	2046	1,629,110	0	5,083,968	(1,455,000)	(183,132)		(1,638,132)	3,445,836	210.0%
2046	753,043,757	1.00%	0.0500	0.2300	0.2800	2,108,523	1.00%	2047	1,645,401	0	5,091,237	(1,485,000)	(155,487)		(1,640,487)	3,450,750	210.8%
2047	760,574,195	1.00%	0.0500	0.2300	0.2800	2,129,608	1.00%	2048	1,661,855	0	5,112,605	(1,510,000)	(126,678)		(1,636,678)	3,475,928	212.4%
2048	768,179,937	1.00%	0.0500	0.2300	0.2800	2,150,904	1.00%	2049	1,678,473	0	5,154,401	(1,540,000)	(96,780)		(1,636,780)	3,517,621	214.4%
2049	775,861,736	1.00%	0.0500	0.2300	0.2800	2,172,413	1.00%	2050	1,695,258	0	5,212,879	(1,575,000)	(65,672)		(1,640,672)	3,572,208	218.0%
2050	783,620,354	1.00%	0.0500	0.2300	0.2800	2,194,137	1.00%	2051	1,712,210	0	5,284,418	(1,605,000)	(33,384)		(1,638,384)	3,646,034	
									\$41,850,874	\$8,600,000	\$104,554,279	(\$36,915,000)	(\$9,737,128)	(\$152,713)	(\$46,804,840)		

**Footnotes:**

- (a) Represents estimated taxable valuation on January 1 of each year.
- (b) Assumes bonds issued in January 2022.
- (c) Assumes principal payments on each August 15.
- (d) For bond issuance expenses not included in project funding request to TWDB.

Assumptions	
Project Completion	Oct 2023
Tax Collections Rate	95%
All-In True Interest Cost	1.66%
Debt amortization (years)	30

Use of Bond Proceeds	
Project Amount	\$36,000,788
Capitalized Interest Fund	0
Bond Issuance Expenses	914,212
<b>Bond Issue Amount</b>	<b>\$36,915,000</b>

# Update on Bond Issuance

Lake McQueeney Water Control and Improvement District No. 1

## Updated Bond Issuance Scenario – February 2021

Maintenance & Operations Fund						Reserve Funds							
Calendar Year	Tax Collections	WCID Admin <sup>(e)</sup>	GBRA M&O <sup>(e)</sup>	Deposit of Unrestricted Cash	Ending Fund Balance	Calendar Year	GBRA Hydro Revenues	Deposits to CCR & Hydro Funds	Transfer to Debt Service Fund	CCR Fund <sup>(f)</sup>		Hydro Fund <sup>(g)</sup>	
										Deposits	Balance	Deposits	Balance
2022	\$205,980	(\$100,000)	\$0	\$400,000	\$505,980	2022							
2023	216,279	(102,000)	0	0	620,260	2023							
2024	227,093	(104,040)	(150,000)	0	593,313	2024	\$585,000	(\$155,000)	(\$430,000)	\$100,000	\$100,000	\$55,000	\$55,000
2025	238,448	(106,121)	(153,000)	0	572,640	2025	585,000	(155,000)	(430,000)	100,000	200,000	55,000	110,000
2026	250,370	(108,243)	(156,060)	0	558,707	2026	585,000	(155,000)	(430,000)	100,000	300,000	55,000	165,000
2027	255,378	(110,408)	(159,181)	0	544,496	2027	585,000	(155,000)	(430,000)	100,000	400,000	55,000	220,000
2028	260,485	(112,616)	(162,365)	0	530,000	2028	585,000	(155,000)	(430,000)	100,000	500,000	55,000	275,000
2029	265,695	(114,869)	(165,612)	0	515,215	2029	585,000	(155,000)	(430,000)	100,000	600,000	55,000	330,000
2030	271,009	(117,166)	(168,924)	0	500,133	2030	585,000	(155,000)	(430,000)	100,000	700,000	55,000	385,000
2031	276,429	(119,509)	(172,303)	0	484,750	2031	585,000	(155,000)	(430,000)	100,000	800,000	55,000	440,000
2032	281,958	(121,899)	(175,749)	0	469,060	2032	585,000	(155,000)	(430,000)	100,000	900,000	55,000	495,000
2033	287,597	(124,337)	(179,264)	0	453,055	2033	585,000	(155,000)	(430,000)	100,000	1,000,000	55,000	550,000
2034	293,349	(126,824)	(182,849)	0	436,731	2034	585,000	(155,000)	(430,000)	100,000	1,100,000	55,000	605,000
2035	299,216	(129,361)	(186,506)	0	420,080	2035	585,000	(155,000)	(430,000)	100,000	1,200,000	55,000	660,000
2036	305,200	(131,948)	(190,236)	0	403,096	2036	585,000	(155,000)	(430,000)	100,000	1,300,000	55,000	715,000
2037	311,304	(134,587)	(194,041)	0	385,772	2037	585,000	(155,000)	(430,000)	100,000	1,400,000	55,000	770,000
2038	317,530	(137,279)	(197,922)	0	368,102	2038	585,000	(155,000)	(430,000)	100,000	1,500,000	55,000	825,000
2039	323,881	(140,024)	(201,880)	0	350,078	2039	585,000	(155,000)	(430,000)	100,000	1,600,000	55,000	880,000
2040	330,358	(142,825)	(205,918)	0	331,694	2040	585,000	(155,000)	(430,000)	100,000	1,700,000	55,000	935,000
2041	336,966	(144,253)	(207,977)	0	316,430	2041	585,000	(155,000)	(430,000)	100,000	1,800,000	55,000	990,000
2042	340,335	(145,695)	(210,057)	0	301,013	2042	585,000	(155,000)	(430,000)	100,000	1,900,000	55,000	1,045,000
2043	343,739	(147,152)	(212,157)	0	285,442	2043	585,000	(155,000)	(430,000)	100,000	2,000,000	55,000	1,100,000
2044	347,176	(148,624)	(214,279)	0	269,715	2044				2,000,000			1,100,000
2045	350,648	(150,110)	(216,422)	0	253,831	2045				2,000,000			1,100,000
2046	354,154	(151,611)	(218,586)	0	237,788	2046				2,000,000			1,100,000
2047	357,696	(153,127)	(220,772)	0	221,585	2047				2,000,000			1,100,000
2048	361,273	(154,659)	(222,980)	0	205,219	2048				2,000,000			1,100,000
2049	364,885	(156,205)	(225,209)	0	188,690	2049				2,000,000			1,100,000
2050	368,534	(157,767)	(227,461)	0	171,996	2050				2,000,000			1,100,000
2051	372,220	(159,345)	(229,736)	0	155,135	2051				2,000,000			1,100,000
	\$9,115,186	(\$3,952,605)	(\$5,407,447)	\$400,000			\$11,700,000	(\$3,100,000)	(\$8,600,000)	\$2,000,000		\$1,100,000	

**Footnotes:**

(e) Estimated for purposes of illustration. Assumes 2% growth through 2040, then 1% thereafter.

(f) Maximum required CCR fund balance is \$750,000. Excess fund balance can be used for any lawful purpose.

(g) Maximum required Hydro fund balance is \$500,000. Excess fund balance can be used for any lawful purpose.



## Update on Bond Issuance

Lake McQueeney Water Control and Improvement District No. 1

### *Considerations*

- Project costs are preliminary and subject to change based on final bids
- Interest rates are preliminary and will change based on market conditions
- Taxable values could vary significantly from those shown in the model

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