

**CLUB MUNICIPAL MANAGEMENT DISTRICT No.1  
(HEATH GOLF AND YACHT CLUB DEVELOPMENT)**

**CITY OF HEATH, TEXAS**

**ANNUAL SERVICE PLAN UPDATE  
2018-19**

**AUGUST 30, 2018**

**PREPARED BY:**

**MUNICAP, INC.**  
— PUBLIC FINANCE —

**CLUB MUNICIPAL MANAGEMENT DISTRICT  
(HEATH GOLF AND YACHT CLUB DEVELOPMENT)**

**ANNUAL SERVICE PLAN UPDATE – 2018-19**

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## *A. INTRODUCTION*

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The 82<sup>nd</sup> Texas Legislature passed House Bill 3859 approving and authorizing the creation of Club Municipal Management District No. 1 (the “District”) to finance the costs of certain public improvements for the benefit of property in the District, all of which is located within the corporate boundaries of the City of Heath (the “City”).

A service and assessment plan (the “Service and Assessment Plan”) was approved by the Board of Directors of the District (the “Board of Directors”) pursuant to a resolution enacted by the Board of Director on September 1, 2015 (as updated on April 27, 2016) identifying the Authorized Improvements to be constructed for the benefit of the Assessed Property in the District, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the District for the costs of the Authorized Improvements. The District issued bonds in the total amount of \$9,255,000 in the form of its Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project) (the “Improvement Area #1 Bonds”), which are to be repaid from Assessments levied against the Improvement Area #1 Assessed Property, replacing a portion of the Improvement Area #1 Road Improvements, Improvement Area #1 Utility Improvements and Improvement Area #1’s share of Major Utility Improvements initially financed through the Improvement Area #1 Reimbursement Agreement. The balance of \$3,245,000 in Improvement Area #1 Road Improvements and Improvement Area #1’s share of Major Road Improvements continues to be funded under the Improvement Area #1 Reimbursement Agreement.

The Service and Assessment Plan is to be reviewed and updated annually. The District also adopted an Assessment Roll identifying the Assessments on each Parcel within the District, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Roll for 2018-19.

Capitalized terms not defined herein shall have the meanings assigned to such terms in the Service and Assessment Plan.

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## ***B. UPDATE OF THE SERVICE PLAN***

### **I. ANNUAL BUDGET FOR THE AUTHORIZED IMPROVEMENTS**

The current total estimated costs of net Major Road Improvements and net Major Utility Improvements are equal to \$3,670,048 and \$5,815,008, respectively, which remain the same as the budget estimates included in the Service and Assessment Plan as updated on April 27, 2016. The current total estimated cost of Improvement Area #1 Road Improvement and Improvement Area #1 Utility Improvements (including the prorated shares of Major Road Improvement and Major Utility Improvements) is equal to \$11,757,992, which remains the same as the budget estimates included in the Service and Assessment Plan as updated on April 27, 2016. There have been no budget line item amount revisions for the Authorized Improvements reported by the Developer to be included in this Annual Service Plan Update.

The District has issued the Improvement Area #1 Bonds in the total amount of \$9,255,000 and agreed to reimburse the Developer in the total amount of \$3,245,000 in the form of the Improvement Area #1 Reimbursement Agreement, which is to be repaid from Assessments as shown by Table B-1 below.

**Table B-1**  
**Sources and Uses of Funds**

<b>Sources of Funds</b>	<b>Improvement Area #1 Bonds</b>	<b>Improvement Area #1 Reimbursement Agreement</b>	<b>Total Amounts</b>
Bond par amount/reimbursement amount payable from Assessments	\$9,255,000	\$3,245,000	\$12,500,000
Other funding sources	\$0	\$1,521,830	\$1,521,830
<b>Total Sources</b>	<b>\$9,255,000</b>	<b>\$4,766,830</b>	<b>\$14,021,830</b>
<b>Uses of Funds</b>			
<i>Improvement Area #1 Improvements</i>			
Road Improvements	\$528,294	\$3,664,757	\$4,193,051
Share of Major Road Improvements	\$0	\$1,102,073	\$1,102,073
Utility Improvements	\$4,716,687	\$0	\$4,716,687
Share of Major Utility Improvements	\$1,746,181	\$0	\$1,746,181
<i>Subtotal</i>	<i>\$6,991,162</i>	<i>\$4,766,830</i>	<i>\$11,757,992</i>
<i>Bond Issuance Costs</i>			
Reserve fund	\$732,600	\$0	\$732,600
Capitalized Interest	\$157,332	\$0	\$157,332
Administrative Expenses Fund	\$30,000	\$0	\$30,000
Other costs of issuance	\$1,343,906	\$0	\$1,343,906
<i>Subtotal</i>	<i>\$2,263,838</i>	<i>\$0</i>	<i>\$2,263,838</i>
<b>Total Uses</b>	<b>\$9,255,000</b>	<b>\$4,766,830</b>	<b>\$14,021,830</b>

A service plan must cover a period of five years. All of the Authorized Improvements for Improvement Area #1 are expected to be built within a period of five years. The anticipated budget for the Authorized Improvements over a period of five years and the indebtedness expected to be incurred for these costs is shown by Table B-2 below.

**Table B-2**  
**Authorized Improvements**  
**Projected Annual Project Costs, Annual Indebtedness, and**  
**Projected Annual Installments**  
**2016 – 2023**

<b>Year</b>	<b>Annual Projected Cost</b>	<b>Annual Projected Indebtedness</b>	<b>Sources other than Bonds</b>	<b>Projected Annual Installments</b>
2016	\$14,021,830	\$12,500,000	\$1,521,830	\$252,496
2017	\$0	\$0	\$0	\$875,320
2018	\$0	\$0	\$0	\$1,113,116
2019	\$0	\$0	\$0	\$1,015,263
2020	\$0	\$0	\$0	\$1,015,875
2021	\$0	\$0	\$0	\$1,023,503
2022	\$0	\$0	\$0	\$1,022,898
2023	\$0	\$0	\$0	\$1,018,993
<b>Total</b>	<b>\$14,021,830</b>	<b>\$12,500,000</b>	<b>\$1,521,830</b>	<b>\$7,337,464</b>

## II. DEBT SERVICE AND COLLECTION COSTS

### Improvement Area #1 - Annual Installments

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty annual installments of principal and interest beginning with the tax year following the issuance of the Improvement Area #1 Bonds.

Pursuant to the Service and Assessment Plan, each Assessment for a Phase shall bear interest at a rate of interest on the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement approved and issued by the District to fund all or a portion of the Authorized Improvements for such Phase plus up to 0.5%. The effective interest rate on the Improvement Area #1A Bonds is 6.32 percent for 2018-19 and the interest rate applicable to the Phase #1 Reimbursement Agreement is 6.32 percent on the reimbursement amount. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the total effective interest rate used for the Improvement Area #1 Bonds is 6.82% and the total effective interest rate used for the Improvement Area #1 Reimbursement Agreement is 6.32%. These payments, the

“Annual Installments” of the Assessments, shall be billed by the District in 2018 and will be delinquent on February 1, 2019.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2018-19 and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the District as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under the Service and Assessment Plan and other applicable documents, such as capitalized interest and interest earnings on any account balances and by any other funds available to the District.

#### Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Improvement Area #1 Bonds and the Improvement Area #1 reimbursement amount due in 2018-19 from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments, District administration activities and maintenance amounts. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Service and Assessment Plan.

#### Improvement Area #1 Annual Installments to be Collected for 2018-19

The principal, interest and Administrative Expenses for Improvement Area #1 of the District will be paid from the collection of Annual Installments collected for 2018-19 as shown by Table B-3 on the following page.

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**Table B-3**  
**Budget for the Improvement Area #1 Annual Installment**  
**to be Collected for 2018-19**

Description	Improvement Area #1A District Bonds <sup>1</sup>	Improvement Area #1 Reimbursement Agreement <sup>2</sup>	Total
Interest payment on March 1, 2019	\$310,813	\$101,212	\$412,025
Interest payment on September 1, 2019	\$310,813	\$101,212	\$412,025
Principal payment on September 1, 2019	\$115,000	\$40,000	\$155,000
Subtotal debt service on bonds	\$736,627	\$242,424	\$979,051
Administrative Expenses	\$59,860	\$21,036	\$80,896
Subtotal expenses	\$796,487	\$263,460	\$1,059,947
Available Reserve Fund Income	\$0	\$0	\$0
Available Capitalized Interest Fund	\$0	\$0	\$0
Available Administrative Expense Fund	(\$20,781)	\$0	(\$20,781)
Subtotal available funds	(\$20,781)	\$0	(\$20,781)
<b>Annual Installments</b>	<b>\$775,706</b>	<b>\$263,460</b>	<b>\$1,039,166</b>

1 - The total interest amounts calculated and shown for the Improvement Area #1 Bonds include the 0.5% additional interest to be collected for prepayment and delinquency reserves as described in the Service and Assessment Plan.

2 - The total interest amount to be collected for the Improvement Area #1 Reimbursement Agreement is calculated using the effective interest rate of 6.32%.

As shown in Table B-3 above, the total Annual Installment for 2018-19 is equal to \$1,039,166. The total debt service payments on the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement (net of the Assessments prepaid for one Parcel) and the Administrative Expenses for 2018-19 are shown as \$979,051 and \$60,115 (\$80,896 - \$20,781 = \$60,115), respectively.

The estimated annual Administrative Expenses include projected fees for 2019 in the following estimated amounts: projected legal fees of \$40,000, projected district administrator fees of \$20,000, projected bookkeeping expenses of \$6,000, projected audit fees of \$5,000, projected Trustee fees of \$3,000 and other district expenses in the estimated amount of \$6,896, resulting in a total estimated Administrative Expenses of \$80,896 (\$40,000 + \$20,000 + \$6,000 + \$5,000 + \$3,000 + \$6,896 = \$80,896). The net 2018-19 Administrative Expenses of \$60,115 budgeted herein, plus projected excess administrative expense funds of \$20,781 are anticipated to fund all projected 2018-19 total District Administrative Expenses of \$80,896.

According to the Service and Assessment Plan, 332 residential units representing 106.14 total Equivalent Units are estimated to be built within Improvement Area #1 of the District. As described herein, the Assessments were prepaid in full for Parcel 88931 (Lot Type 10) with a total Equivalent Unit of 0.21, resulting in 105.93 in remaining total Equivalent Units. Accordingly, the principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$9,242.43

(i.e.  $\$979,051 \div 105.93 = \$9,242.43$ ) and the Administrative Expenses to be collected from each Equivalent Unit will be  $\$567.50$  (i.e.  $(\$80,896 - \$20,781) \div 105.93 = \$567.50$ ). As a result, the total Annual Installment to be collected from each Equivalent Unit within Improvement Area #1 will be  $\$9,809.93$  (i.e.  $\$9,242.43 + \$567.50 = \$9,809.93$ ). The Annual Installment to be collected from each Land Use Class within Improvement Area #1 is calculated by multiplying the Annual Installment for each Equivalent Unit of  $\$9,809.93$  by the Equivalent Unit factor for each Land Use Class within Improvement Area #1. The Annual Installment to be collected from each Parcel within Improvement Area #1 is also calculated by multiplying the Annual Installment for each Equivalent Unit of  $\$9,809.93$  by the total estimated Equivalent Units for each Parcel in Improvement Area #1. A detailed schedule showing the Improvement Area #1 Annual Installment amount to be collected from each Land Use Class within Improvement Area #1 is attached hereto as Appendix B.

The list of parcels within Improvement Area #1 of the District, the estimated number of units to be developed on the current residential parcels, the total Assessment, the Annual Assessment, the Administrative Expenses and the Annual Installment to be collected for 2018-19 are shown in the Assessment Roll summary attached hereto as Appendix C.

### **III. BOND REDEMPTION RELATED UPDATES**

The Improvement Area #1 Bonds were issued in April 2016. Pursuant to Section 4.3 of the Indenture of Trust, the District reserves the right and option to redeem the Improvement Area #1 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after September 1, 2023, such redemption date or dates to be fixed by the District, at the redemption prices and dates shown in the Indenture of Trust.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent special assessment revenue bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Improvement Area #1 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable special assessment revenue bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the District accordingly.

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*C. UPDATE OF THE ASSESSMENT PLAN*

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The Service and Assessment Plan adopted by the Board of Directors provided that costs of the Authorized Improvement shall be allocated to the Assessed Property on the basis of the total Equivalent Units anticipated to be built on each Parcel once such property is fully developed, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements to Parcels similarly benefited.

This method of assessing property has not been changed and Assessed Property will continue to be assessed as provided for in the Service and Assessment Plan.

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## *D. UPDATE OF THE ASSESSMENT ROLL*

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Pursuant to the original Service and Assessment Plan, the Assessment Roll shall be updated each year to reflect:

The identification of each Parcel as Benefited Property, Assessed Property, and Non-Assessed Property; (ii) the Assessment for each Parcel, including any adjustments authorized by this Service and Assessment Plan or in the Act; (iii) the Principal Portion of the Assessment for each Parcel, including any adjustments authorized by this Service and Assessment Plan or in the Act; (iv) the Annual Installment for the Parcel for the year (if the Assessment is payable in installments); and (v) payments of the Assessment, if any, as provided by Section VI.C of the Service and Assessment Plan.

The summary Assessment Roll is shown in Appendix C. Each Parcel in the District is identified, along with the Assessment on each Parcel and the Annual Installment to be collected from each Parcel. Assessments are to be reallocated for the subdivision of any Parcels.

### **I. PARCEL UPDATES**

According to the Service and Assessment Plan, upon the subdivision of any Parcel, the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel.
- B = the Assessment for the Parcel prior to subdivision.
- C = the estimated number of units to be built on each newly subdivided Parcel
- D = the sum of the estimated number of units to be built on all of the new subdivided Parcels

According to the Developer, a subdivision plats were submitted for Lots being developed as Phase 1B in December 2016. However, the plat was amended and resubmitted for recoding in April 2017. According to the Rockwall Central Appraisal District (RCAD) online records, these Phase 1B Parcels did not have certified values for 2017 and were not be subject to taxes and Assessments in 2017. As a result, the Phase 1B Parcels subdivided in 2017 are being incorporated in this Annual Service Plan Update as the Parcels are set to receive tax bills starting 2018. Additionally, according to Rockwall CAD online records, parent Parcel 10380 was subdivided into five lots. Table D-1 on the following page show Improvement Area #1 Assessment amounts allocated to each newly subdivided Parcel

within Improvement Area #1 following the recording of the final plats using the above described reallocation formula.

**Table D-1**  
**Allocation of Improvement Area #1 Assessments after Subdivision and Platting**

After Subdivision							
Parent Parcels	New Parcel	Lot Type	No. of Units	EU Factor	Total EU	Assessment per Unit	Total Assessment
<b>58403</b>	Various	7	69	0.32	22.08	\$37,233	\$2,569,073
	Various	9	37	0.24	8.88	\$27,925	\$1,033,214
	Various	10	28	0.21	5.88	\$24,434	\$684,155
<b>10380</b>	Various	1	2	1.00	2.00	\$116,353	\$232,706
	Various	3	3	0.43	1.29	\$50,032	\$150,095
<b>Total</b>			<b>139</b>	<b>1.43</b>	<b>40.13</b>		<b>\$4,669,244</b>

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator and confirmed by the Board of Directors based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

## II. PREPAYMENT OF ASSESSMENTS

According to the Trustee, there has been one Assessment prepayment as of August 31, 2017 from Parcel 88931.

APPENDIX A  
DISTRICT MAP

**APPENDIX B**  
**SCHEDULE OF ANNUAL INSTALLMENT PER LAND USE CLASS – IMPROVEMENT AREA #1**  
**2018-19**

APPENDIX C  
ASSESSMENT ROLL SUMMARY – IMPROVEMENT AREA #1  
2018-19