

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

CITY OF HEATH, TEXAS

**ANNUAL SERVICE PLAN UPDATE
(ASSESSMENT YEAR 9/1/21 - 8/31/22)**

**PRESENTED TO THE
MUNICIPAL MANAGEMENT BOARD FOR APPROVAL ON:
AUGUST 19, 2021**

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

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

ANNUAL SERVICE PLAN UPDATE (ASSESSMENT YEAR 9/1/21 – 8/31/22)

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I. INTRODUCTION

The 82nd 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 or amended from time to time, 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.

On May 7, 2018, Board of Directors approved an updated Service and Assessment Plan for Improvement Area #2 (the “Updated Service and Assessment Plan”) to finance certain Authorized Improvements for Improvement Area #2 in the amount of \$10,750,000 under the terms of the Omnibus Reimbursement Agreement.

The Updated 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 2021-22.

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

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II. UPDATE OF THE SERVICE PLAN

A. UPDATED SOURCES AND USES FOR PUBLIC IMPROVEMENTS

Improvement Area #1 Sources and Uses

Pursuant to the original Service and Assessment Plan adopted on September 1, 2015 and updated on April 27, 2016, the initial total estimated costs of the Improvement Area #1 Improvements, including Improvement Area #1's share of Major Road and Major Utility Improvement and bond issuance costs, were equal to \$14,021,830. As described in the Developer's Quarterly Improvement Implementation Report dated as of June 30, 2020 and the Improvement Area #1 Bond closing memorandum, the actual costs incurred for the Improvement Area #1 Improvements remain unchanged from the initial total estimated costs.

Table II-A-1 below summarizes the updated sources and uses of funds required to (1) construct the Improvement Area #1 Improvements, (2) establish the District, and (3) issue the Improvement Area #1 Bonds.

Table II-A-1
Updated Sources and Uses –Improvement Area #1

Sources of Funds	Improvement Area #1 Bonds	Improvement Area #1 Reimbursement Agreement	Total Budget	Actual Costs	Variance
Bond PAR amount/Reimbursement amount payable from Assessments	\$9,255,000	\$3,245,000	\$12,500,000	\$12,500,000	\$0
Other funding sources	\$0	\$1,521,830	\$1,521,830	\$1,507,789	(\$14,041)
Total Sources	\$9,255,000	\$4,766,830	\$14,021,830	\$14,007,789	(\$14,041)
Uses of Funds					
Improvement Area #1 Improvements					
Road Improvements	\$528,294	\$3,664,757	\$4,193,051	\$4,193,051	\$0
Share of Major Road Improvements	\$0	\$1,102,073	\$1,102,073	\$1,102,073	\$0
Utility Improvements	\$4,716,687	\$0	\$4,716,687	\$4,716,687	\$0
Share of Major Utility Improvements	\$1,746,181	\$0	\$1,746,181	\$1,746,181	\$0
Subtotal	\$6,991,162	\$4,766,830	\$11,757,992	\$11,757,992	\$0
Bond Issuance Costs					
Reserve fund	\$732,600	\$0	\$732,600	\$732,600	\$0
Capitalized Interest	\$157,332	\$0	\$157,332	\$157,332	\$0
Other Costs of Issuance	\$1,373,906	\$0	\$1,373,906	\$1,389,865	(\$14,041)
Subtotal	\$2,263,838	\$0	\$2,263,838	\$2,249,797	(\$14,041)
Total Uses	\$9,255,000	\$4,766,830	\$14,021,830	\$14,007,789	(\$14,041)

1 – According to Developer's Quarterly Improvement Implementation Report dated as of June 30, 2020 and the Improvement Area #1 closing memorandum.

Improvement Area #1 Authorized Improvement Cost Variances

As shown in Table II-A-1 on the previous page, there are no significant variances to the costs of the Improvement Area #1 Improvements to be reported at this time. According to the Developer's Quarterly Improvement Implementation Report dated as of June 30, 2020, Improvement Area #1 Improvements were completed and accepted by the City as of June 30, 2017.

For additional District development-related information, refer to the link below:

<https://emma.msrb.org/IssueView/Details/ER374043>

Improvement Area #2 Sources and Uses

Pursuant to the updated Service and Assessment Plan (the "Updated Service and Assessment Plan") adopted on May 7, 2018, the initial total estimated costs of the Improvement Area #2 Improvements, including Improvement Area #2's share of Major Road and Major Utility Improvement, were equal to \$15,806,642. According to the Developer, the updated budget estimates for the Improvement Area #2 Improvements remain unchanged from the initial total estimated costs.

Table II-A-2 below summarizes the updated sources and uses of funds required to construct the Improvement Area #2 Improvements.

Table II-A-2
Updated Sources and Uses –Improvement Area #2

Sources of Funds	Improvement Area #2 Reimbursement Agreement	Budget Revisions	Revised Budget	Spent to Date	Remaining Balance to Fund
Reimbursement amount payable from Assessments	\$10,750,000	\$0	\$10,750,000	\$0	\$10,750,000
Other funding sources	\$5,056,642	\$0	\$5,056,642	\$0	\$5,056,642
Total Sources	\$15,806,642	\$0	\$15,806,642	\$0	\$15,806,642
Uses of Funds			\$0		
Improvement Area #2 Improvements			\$0.00		
Road Improvements	\$3,881,681	\$0	\$3,881,681	\$0	\$3,881,681
Share of Major Road Improvements	\$947,675	\$0	\$947,675	\$0	\$947,675
Utility Improvements	\$5,144,404	\$0	\$5,144,404	\$0	\$5,144,404
Share of Major Utility Improvements	\$1,501,544	\$0	\$1,501,544	\$0	\$1,501,544
Estimated soft costs	\$4,331,338	\$0	\$4,331,338	\$0	\$4,331,338
Total Uses	\$15,806,642	\$0	\$15,806,642	\$0	\$15,806,642

1 – According to the Developer.

Improvement Area #2 Authorized Improvement Cost Variances

As shown in Table II-A-2 above, there are no significant variances to be reported at this time as the Developer has not submitted the actual costs and backup documents for Improvement Area #2.

B. FIVE YEAR SERVICE PLAN

A service plan must cover a period of five years. All of the Authorized Improvements 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 in Table II-B-1 below.

Table II-B-1
Annual Projected Costs and Annual Projected Indebtedness
Assessment Years 2016 through 2027

Assessment Year ending 08/31	Annual Projected Cost	Annual Projected Indebtedness	Other Funding Sources ¹	Projected Improvement Area #1 Annual Installments ²	Projected Improvement Area #2 Annual Installments ²
2016-2021	\$29,828,472	\$23,250,000	\$6,564,431	\$5,498,294	\$746,250
2022	\$0	\$0	\$0	\$1,009,768	\$752,098
2023	\$0	\$0	\$0	\$1,031,024	\$887,250
2024	\$0	\$0	\$0	\$1,025,164	\$878,400
2025	\$0	\$0	\$0	\$1,017,838	\$894,556
2026	\$0	\$0	\$0	\$1,015,758	\$884,143
2027	\$0	\$0	\$0	\$1,053,100	\$898,736
Total	\$29,828,472	\$23,250,000	\$6,564,431	\$11,650,946	\$5,941,433

1 – Other funding sources represent Developer contributions.

2 – Projected Annual Installments for Assessment Years ending 2016-2022 include available credits, if any. Projected Annual Installments for Assessment Years ending 2022-2027 represent do not include applicable credits, if any, and will be updated in future annual service plan updates.

C. STATUS OF DEVELOPMENT

According to the Developer as of June 30, 2021, of the 332 residential units to be developed, 249 units have been completed and 247 units have been sold to end users, and an additional 31 units are under construction within Improvement Area #1.

According to the Developer as of June 30, 2021, of the 477 residential units to be developed, 45 units have been completed, 44 units have been sold to end users, and an additional 53 units are under construction within Improvement Area #2.

See Table II-C-1 on the following page for the status of completed homes within the District as of June 30, 2021.

**Table II-C-1
Completed Homes**

Phase	Completed as of Fiscal Year end 2019¹	Completed as of June 30, 2020²	Completed as of June 30, 2021³
Improvement Area #1	173	214	249
Improvement Area #2 ³	0	18	45

1 – According to the Annual Continuing Disclosure Report for Fiscal Year ending 2019 for the District.

2 – According to the Developer’s quarterly report to the City as of June 30, 2020.

3 – According to the Developer’s quarterly report to the City as of June 30, 2021.

D. ANNUAL BUDGET – IMPROVEMENT AREA #1

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, of which twenty-five (25) Annual Installments currently remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment for an Improvement Area 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 Improvement Area plus up to 0.5 percent. The effective interest rate on the Improvement Area #1A Bonds is 6.34 percent for 2021-22 and the interest rate applicable to the Improvement Area #1 Reimbursement Agreement is 6.34 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 6.84 percent for 2021-22 and the total effective interest rate used for the Improvement Area #1 Reimbursement Agreement is 6.34 percent for 2021-22. These payments, the “Annual Installments” of the Assessments, shall be billed by the District in 2021 and will be delinquent on February 1, 2022.

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 2021-22 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 Agreement amount due in 2021-22 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 2021-22

The principal, interest and Administrative Expenses for Improvement Area #1 of the District will be paid from the collection of Annual Installments collected for 2021-22 as shown by Table II-D-1 below.

Table II-D-1
**Budget for the Improvement Area #1 Annual Installment
to be Collected for 2021-22**

	<u>Improvement Area #1A District Bonds¹</u>	<u>Improvement Area #1 Reimbursement Agreement²</u>	<u>Total</u>
Interest payment on March 1, 2022	\$268,052	\$93,819	\$361,871
Interest payment on September 1, 2022	\$268,052	\$93,819	\$361,871
Principal payment on September 1, 2022	\$130,000	\$50,000	\$180,000
<i>Subtotal - Debt Service Payments</i>	<i>\$666,103</i>	<i>\$237,638</i>	<i>\$903,741</i>
Administrative Expenses	\$63,704	\$22,296	\$86,000
Excess Interest for Prepayment & Delinquency Reserves	\$42,283	\$0	\$42,283
<i>Subtotal Expenses</i>	<i>\$772,090</i>	<i>\$259,935</i>	<i>\$1,032,025</i>
Available Reserve Fund Income	(\$5,817)	\$0	(\$5,817)
Available Other Funds	(\$16,440)	\$0	(\$16,440)
Available Administrative Expense Funds	\$0	\$0	\$0
<i>Subtotal funds available</i>	<i>(\$22,257)</i>	<i>\$0</i>	<i>(\$22,257)</i>
Annual Installments	\$749,833	\$259,935	\$1,009,768

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 1, 2022 in the amount of \$268,052 and on September 1, 2022 in the amount of \$268,052, which equal interest on the outstanding Improvement Area #1 Bonds portion of Assessments balance of \$8,456,677 for six months each and an effective interest rate of 6.34 percent. Annual Installments to be collected include a principal amount of \$130,000 due on September 1, 2022. As a result, total

Annual Installments to be collected for principal and interest on the Improvement Area #1 Bonds in 2021-22 is estimated to be equal to \$666,103.

Additionally, Annual Installments to be collected for principal and interest include interest due on March 1, 2022 in the amount of \$93,819 and on September 1, 2022 in the amount of \$93,819, which equal interest on the outstanding Improvement Area #1 Reimbursement Agreement portion of Assessments balance of \$2,959,869 for six months each and an effective interest rate of 6.34 percent. Annual Installments to be collected include a principal amount of \$50,000 due on September 1, 2022. As a result, total Annual Installments to be collected for principal and interest on the Improvement Area #1 Reimbursement Agreement in 2021-22 is estimated to be equal to \$237,638.

Administrative Expenses

Administrative expenses for Improvement Area #1 include the District Board, District Administrator, District counsel, District bookkeeper, Trustee, audit fees, District insurance, billing and collection, and contingency fees. As shown in Table II-D-2 on the following page, outstanding amounts to be paid for 2021-22 expenses are \$0 (\$8,788 - \$8,788 in available administrative funds = \$0), estimated administrative expenses needed until 2021-22 Annual Installments are collected are estimated to be \$0 (\$39,000 - \$39,000 in available administrative funds = \$0), and the administrative expenses to be collected for 2021-22 are estimated to be \$86,000. As a result, the total administrative expense budget Improvement Area #1 for 2021-22 is estimated to be \$86,000.

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Table II-D-2
Administrative Budget Breakdown
Improvement Area #1

Description	Outstanding 2020-21 Expenses	Estimated Expenses to be Paid through 01/31/2022	2021-22 Estimated Budget (02/01/22-01/31/23)
District Board	\$535	\$1,000	\$1,000
District Administrator	\$2,441	\$8,000	\$21,000
District Counsel	\$4,590	\$16,000	\$37,000
District Bookkeeper	\$1,223	\$2,000	\$6,000
Trustee	\$0	\$3,000	\$3,000
Audit fees	\$0	\$2,000	\$5,000
District Insurance	\$0	\$3,000	\$3,000
Billing and collection	\$0	\$1,000	\$3,000
Contingency fees	\$0	\$3,000	\$7,000
Available Funds ¹	(\$8,788)	(\$39,000)	\$0
Total	\$0	\$0	\$86,000

1 – Reflect available Administrative Expense Funds held with the Trustee as of June 30, 2021.

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments to be collected for excess interest for prepayment and delinquency reserves are \$42,283, which equals 0.5 percent interest on the outstanding Improvement Area #1 Bond portion of Assessments of \$8,456,677.

Available Reserve Fund Income

As of June 30, 2021, the balance in the Reserve Fund was \$716,117, which includes the Improvement Area #1 Bond Reserve Requirement of \$710,300 and investment income of \$5,817. Pursuant to Section 6.7 (d) of the Trust Indenture, the excess balance of \$5,817 should be transferred to the Principal & Interest Account and used to pay interest on the Improvement Area #1 Bonds on the next interest payment date. As a result, the excess reserve fund investment income in the amount of \$5,817 is anticipated to be available to pay a portion of the Improvement Area #1 Bonds debt service for 2021-22.

Available Other Funds

As of June 30, 2021, the Trustee reported \$16,440 in excess funds in the principal and interest account due to interest savings following the March 1, 2021 extraordinary optional redemption. As a result, \$16,440 is anticipated to be available to pay a portion of the Improvement Area #1 Bonds debt service for 2021-22. Capitalized interest on the Improvement Area #1 Bonds has been fully expended in the two-year period after issuance of the Improvement Area #1 Bonds, as contemplated by the bond documents.

Available Administrative Expense Fund

As of June 30, 2021, the balance in the Improvement Area #1 Administrative Fund was \$86,776. All available funds are anticipated to be used for the payment of current outstanding administrative expenses and estimated expenses projected to be incurred through January 31, 2022 for Improvement Area #1 and Improvement Area #2. As a result, there are no excess or surplus funds anticipated to be available in the Administrative Expense Fund to reduce the administrative portion of the Annual Installment for the 2021-22 Assessment Year.

E. ANNUAL INSTALLMENTS PER UNIT - IMPROVEMENT AREA #1

According to the Updated 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 Improvement Area #1 Assessments were prepaid in full for eleven (11) Parcels within Improvement Area #1 with a total Equivalent Unit of 3.89, resulting in 102.25 in total outstanding Equivalent Units. Accordingly, the net principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$9,034.41 (i.e. $(\$903,741 + \$42,283 - \$5,817 - \$16,440) \div 102.25 = \$9,034.41$) and the Administrative Expenses to be collected from each Equivalent Unit will be \$841.08 (i.e. $\$86,000 \div 102.25 = \841.08). As a result, the total Annual Installment to be collected from each Equivalent Unit within Improvement Area #1 will be \$9,875.48 (i.e. $\$9,034.41 + \$841.08 = \$9,875.48$). 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 \$9,875.48 by the Equivalent Unit factor for each Land Use Class within Improvement Area #1 as shown in Table II-E-1 below. 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-1.

Table II-E-1
Annual Installment Per Unit
Improvement Area #1

Lot Type	Annual Installment Per EU	Equivalent Unit Factor	Annual Installment Per Unit
Lake Front Lots	\$9,875.48	1.00	\$9,875.48
Channel Front Lots	\$9,875.48	0.50	\$4,937.74
Water Feature Lots	\$9,875.48	0.43	\$4,246.46
80 Ft Lots	\$9,875.48	0.32	\$3,160.15
70 Ft Lots	\$9,875.48	0.29	\$2,863.89
60 Ft Lots	\$9,875.48	0.24	\$2,370.12
50 Ft Lots	\$9,875.48	0.21	\$2,073.85

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 2021-22 are shown in the Assessment Roll summary attached hereto as Appendix B-2.

F. ANNUAL BUDGET – IMPROVEMENT AREA #2

Improvement Area #2 - Annual Installments

The Improvement Area #2 Assessments imposed on any Parcel within Improvement Area #2 may be paid in full at any time. If not paid in full, the Improvement Area #2 Assessment shall be payable in thirty annual installments of principal and interest. Collection of the initial Annual Installments relating to the Improvement Area #2 Assessments that benefit the Improvement Area #2 Assessed Property will be due when billed and will be delinquent if not paid prior to the first February 1 following the earlier of (i) issuance of the Improvement Area #2 Bonds, or (iii) the second anniversary of the date of Assessment levy. Given that condition (iii) has been satisfied, the first Annual Installment due for Improvement Area #2 was due no later than January 31, 2021 and twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Updated Service and Assessment Plan, each Assessment for Improvement Area #2 shall bear interest at a rate of 6.30 percent. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed the rate that is equal to the actual interest rate paid on the debt. Accordingly, the total effective interest rate used for the Improvement Area #2 is 6.30 percent. These payments, the “Annual Installments” of the Assessments, shall be billed by the District in 2021 and will be delinquent on February 1, 2022.

Pursuant to the Updated Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2021-22 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 #2 Assessments in 2021-22 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.

Improvement Area #2 Annual Installments to be Collected for 2021-22

The principal, interest and Administrative Expenses for Improvement Area #2 of the District will be paid from the collection of Annual Installments collected for 2021-22 as shown by Table II-F-1 below.

Table II-F-1
**Budget for the Improvement Area #2 Annual Installment
to be Collected for 2021-22**

	<u>Improvement Area #2 Assessments</u>
Annual interest on Improvement Area #2 Assessments	\$675,098
Principal payment on September 1, 2022	\$0
<i>Subtotal - Debt Service Payments</i>	<i>\$675,098</i>
Administrative Expenses	\$77,000
<i>Subtotal Expenses</i>	<i>\$752,098</i>
Available Administrative Expense Funds	\$0
<i>Subtotal funds available</i>	<i>\$0</i>
Annual Installments	\$752,098

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due through September 1, 2022 in the amount of \$675,098, which equal interest on the outstanding Improvement Area #2 Assessment balance of \$10,715,843 for one year and an effective interest rate of 6.30 percent. There is no principal payment due on September 1, 2022. As a result, total Annual Installments to be collected for principal and interest on the Improvement Area #2 Assessments in 2021-22 is estimated to be equal to \$675,098.

Administrative Expenses

Administrative expenses for Improvement Area #2 include the District Board, District Administrator, District counsel, District bookkeeper, audit fees, District insurance, billing and collection fees, and contingency fees. As shown in Table II-F-2 on the following page, the total administrative expenses to be collected for 2021-22 are estimated to be \$77,000.

Table II-F-2
Administrative Budget Breakdown
Improvement Area #2

Description	2021-22 Estimated Budget (02/1/22 - 01/31/23)
District Board	\$1,000
District Administrator	\$19,000
District Counsel	\$33,000
District Bookkeeper	\$6,000
Audit fees	\$5,000
District Insurance	\$3,000
Billing and collection fees	\$3,000
Contingency fees	\$7,000
Total	\$77,000

Available Administrative Expense Fund

As of June 30, 2021, the balance in the Improvement Area #1 Administrative Fund was \$86,776. All available funds are anticipated to be used for the payment of current outstanding administrative expenses and estimated expenses projected to be incurred through January 31, 2022 for Improvement Area #1 and Improvement Area #2. As a result, there are no funds anticipated to be available in the Administrative Expense Fund to reduce the Annual Installment for the 2021-22 Assessment Year.

G. ANNUAL INSTALLMENTS PER UNIT - IMPROVEMENT AREA #2

According to the Updated Service and Assessment Plan, 477 residential units representing 91.27 total Equivalent Units are estimated to be built within Improvement Area #2 of the District. As described herein, the Improvement Area #2 Assessments were prepaid in full for one (1) Parcel within Improvement Area #2 with a total Equivalent Unit of 0.29, resulting in 90.98 in total outstanding Equivalent Units. Accordingly, the principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$7,420.29 (i.e. $\$675,098 \div 90.98 = \$7,420.29$) and the Administrative Expenses to be collected from each Equivalent Unit will be \$846.34 (i.e. $\$77,000 \div 90.98 = \846.34). As a result, the total Annual Installment to be collected from each Equivalent Unit within Improvement Area #2 will be \$8,266.63 (i.e. $\$7,420.29 + \$846.34 = \$8,266.63$). The Annual Installment to be collected from each Land Use Class within Improvement Area #2 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$8,266.63 by the Equivalent Unit factor for each Land Use Class within Improvement Area #2 as shown in Table II-G-1 on the following page. A detailed schedule showing the Improvement Area #2 Annual Installment amount to be collected from each Land Use Class within Improvement Area #2 is attached hereto as Appendix C-1.

Table II-G-I
Annual Installment Per Unit
Improvement Area #2

Lot Type	Annual Installment Per EU	Equivalent Unit Factor	Annual Installment Per Unit
70 Ft Lots	\$8,266.63	0.29	\$2,397.32
50 Ft Lots	\$8,266.63	0.21	\$1,735.99
Detached Luxury Villas	\$8,266.63	0.15	\$1,239.99
Attached Luxury Villas	\$8,266.63	0.13	\$1,074.66

The list of Parcels within Improvement Area #2 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 2021-22 are shown in the Assessment Roll Summary attached hereto as Appendix C-2.

H. 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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III. UPDATE OF THE ASSESSMENT PLAN

The Service and Assessment Plan adopted by the City Council describes that the Authorized Improvement costs shall be allocated to the Assessed Property equally based on the equivalent number of residential dwelling 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 Authorized Improvement costs to Parcels similarly benefited.

Assessment Methodology

This method of assessing property, as updated in prior Annual Service Plan Updates, 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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IV. UPDATE OF THE ASSESSMENT ROLL

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.

A. 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 Equivalent Units to be built on each newly subdivided Parcel
- D = the sum of the estimated Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council 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.

According to Rockwall Central Appraisal District (“RCAD”) and Kaufman Central Appraisal District (“KCAD”) online records, subdivided Parcels within Phase #1A of development were officially recognized by the respective county’s roll in 2016. As a result, individual Parcels within Phase #1A of development were billed Annual Installments beginning in tax year 2016.

According to RCAD and KCAD online records, subdivided Parcels within Phase #1B and Phase #1C of development were officially recognized by the respective county’s roll in 2018. As a result, individual Parcels within Phase #1B and Phase #1C of development were billed Annual Installments beginning in tax year 2018.

According to KCAD online records, Parcel 2694 within the Lakes Addition was subdivided in 2021. The allocation of Improvement Area #1 Assessments prior to and after subdivision of Parcel 2694 is shown in Table IV-A-1 below.

Table IV-A-1
Parcel 2694 Subdivision

Prior to Subdivision			After Subdivision						
Parcel	Total EU	Total Assessment	New Parcel	Lot Type	No. of Units	EU per Unit	Total EU Assessments	Assessment per Equivalent Unit	Total Assessment
2694	2.86	\$319,328	Various	1	2	1.00	2.00	\$111,653	\$223,306
			Various	3	2	0.43	0.86	\$48,011	\$96,022
Total	2.86	\$319,328			4		2.86		\$319,328

According to RCAD and KCAD online records, subdivided Parcels within Tract 7, Tract 8, and Tract 9 of Improvement Area #2 were officially recognized by the respective county’s roll in 2020. As a result, individual Parcels within Tract 7, Tract 8, and Tract 9 of Improvement Area #2 have been billed Annual Installments beginning in tax year 2020.

B. PREPAYMENT OF ASSESSMENTS

According to the Trustee, eleven (11) Parcels have prepaid their Improvement Area #1 Assessment in full as of June 30, 2021.

According to the Trustee, one (1) Parcel has prepaid their Improvement Area #2 Assessment in full as of June 30, 2021.

See Appendix D for additional details regarding Assessment prepayments.

APPENDIX A
DISTRICT MAP

APPENDIX B-1
SCHEDULE OF ANNUAL INSTALLMENTS PER LOT TYPE
IMPROVEMENT AREA #1

APPENDIX B-2
IMPROVEMENT AREA #1
ASSESSMENT ROLL SUMMARY – 2021-22

APPENDIX C-1
SCHEDULE OF ANNUAL INSTALLMENTS PER LOT TYPE
IMPROVEMENT AREA #2

APPENDIX C-2
IMPROVEMENT AREA #2
ASSESSMENT ROLL SUMMARY – 2021-22

APPENDIX D
PREPAID PARCELS

APPENDIX D
LIST OF PREPAID PARCELS

IMPROVEMENT AREA #1

Parcel ID	Lot Size	Equivalent Units	Prepayment Date	Improvement Area #1 Bonds ¹	Improvement Area #1 Reimbursement Agreement ²	Total Assessment Prepaid	Full/Partial
88931	50 Ft Lot	0.21	08/2017	\$18,311.19	\$6,420.29	\$24,731.49	Full
88856	70 Ft Lot	0.29	01/2020	\$24,670.91	\$8,647.11	\$33,318.02	Full
88866	Water Feature Lot	0.43	05/2020	\$36,581.01	\$12,821.57	\$49,402.58	Full
88802	70 Ft Lot	0.29	08/2020	\$24,670.91	\$8,647.11	\$33,318.02	Full
92232	80 Ft Lot	0.32	09/2020	\$26,857.08	\$9,419.64	\$36,276.72	Full
92276	80 Ft Lot	0.32	10/2020	\$26,857.08	\$9,419.64	\$36,276.72	Full
92267	80 Ft Lot	0.32	11/2020	\$26,857.08	\$9,419.64	\$36,276.72	Full
92301	50 Ft Lot	0.21	11/2020	\$17,624.96	\$6,181.64	\$23,806.60	Full
88875	Lake Front Lot	1	11/2020	\$83,928.38	\$29,436.37	\$113,364.75	Full
88922	50 Ft Lot	0.21	03/2021	\$17,624.96	\$6,181.64	\$23,806.60	Full
88820	70 Ft Lot	0.29	04/2021	\$24,339.23	\$8,536.55	\$32,875.78	Full
Total		3.89		\$328,322.81	\$115,131.19	\$443,454.00	

1 – An extraordinary optional redemption in the amount of \$285,000 in prepaid Improvement Area #1 Bonds occurred on March 1, 2021. Any remaining prepaid funds related to the Improvement Area #1 Bonds will be used for future extraordinary optional redemptions.

2 – Prepaid Improvement Area #1 Assessments related to the Improvement Area #1 Reimbursement Agreement are to be redeemed under the terms of the Improvement Area #1 Reimbursement Agreement.

IMPROVEMENT AREA #2

Parcel ID	Lot Size	Equivalent Units	Prepayment Date	Total Assessment Prepaid ¹	Full/Partial
103214	70 Ft Lot	0.29	01/2021	\$34,156.90	Full
Total		0.29		\$34,156.90	

1 – Prepaid Improvement Area #2 Assessments related to Improvement Area #2's portion of the Omnibus Reimbursement Agreement are to be redeemed under the terms of the Omnibus Reimbursement Agreement.