

**THE TRAILS AT COTTONWOOD CREEK
PUBLIC IMPROVEMENT DISTRICT**

CITY OF ROWLETT, TEXAS

**ANNUAL SERVICE PLAN UPDATE
(ASSESSMENT YEAR 9/15/21 - 9/14/22)**

**AS APPROVED BY CITY COUNCIL ON:
SEPTEMBER 21, 2021**

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

THE TRAILS AT COTTONWOOD CREEK PUBLIC IMPROVEMENT DISTRICT

ANNUAL SERVICE PLAN UPDATE (ASSESSMENT YEAR 9/15/21 – 9/14/22)

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I. INTRODUCTION

The Trails at Cottonwood Creek Public Improvement District (the “PID”) was created pursuant to the PID Act and Resolution No. RES-032-20 approved by the City Council of Rowlett, Texas (the “City Council”) on March 17, 2020 to finance certain public improvement projects for the benefit of the property in the PID.

On May 18, 2021, the City of Rowlett, Texas (the “City”) approved issuance of the City of Rowlett, Texas Special Assessment Revenue Bonds, Series 2021 (Trails at Cottonwood Creek Public Improvement District Neighborhood Improvement Area #1 Project) (the “NIA #1 Bonds”) in the aggregate principal amount of \$2,543,000, and the City of Rowlett, Texas Special Assessment Revenue Bonds, Series 2021 (Trails at Cottonwood Creek Public Improvement District Major Improvement Area Project) (the “MIA Bonds”) in the aggregate principal amount of \$5,065,000, were issued to finance, refinance, provide or otherwise assist in the acquisition, construction and maintenance of the public improvements provided for the benefit of the property in the PID.

A service and assessment plan (the “Service and Assessment Plan”) was prepared at the direction of the City identifying the public improvements (the “Authorized Improvements”) to be provided by the PID, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the PID for the costs of the Authorized Improvements. Pursuant to the PID Act, the Service and Assessment Plan must be reviewed and updated annually. This document is the annual update of the Service and Assessment Plan for 2021-22 (the “Annual Service Plan Update”).

The City also adopted the Neighborhood Improvement Area #1 (the “NIA #1”) Assessment Roll and the Major Improvement Area (the “MIA”) Assessment Roll attached as Appendix G and Appendix F, respectively, to the Service and Assessment Plan, identifying the assessments on each Parcel within the PID, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Rolls for 2021-22.

The Texas legislature passed House Bill 1543 as an amendment to the PID Act, requiring, among other things, (i) all Service and Assessment Plans and Annual Service Plan Updates be approved through City ordinance or order to be filed with the county clerk of each county in which all or part of the PID is located within seven days and (ii) include a copy of the notice form required by Section 5.014 of the Texas Property Code (the “PID Assessment Notice”) as disclosure of the obligation to pay PID Assessments. In light of these amendments to the PID Act, this Annual Service Plan Update includes a copy of the PID Assessment Notice as Appendix F and copy of this Annual Service Plan Update will be filed with the county clerk in each county in which all or a part of the PID is located not later than seven (7) days after the date the governing body of the City approves this Annual Service Plan Update.

Section 372.013 of the PID Act, as amended, stipulates that a person who proposes to sell or otherwise convey real property that is located in the PID, except in certain situation described in the PID Act, shall first give to the purchaser of the property a copy of the completed PID

Assessment Notice. The PID Assessment Notice shall be given to a prospective purchase before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller provided the required notice, the purchaser, subject to certain exceptions described in the PID act, is entitled to terminate the contract.

The PID Assessment Notice shall be executed by the seller and must be filed in the real property records of the County in which the property is located at the closing of the purchase and sale of the property.

Capitalized terms shall have the meanings set forth in the Service and Assessment Plan unless otherwise defined herein.

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II. UPDATE OF THE SERVICE PLAN

A. UPDATED SOURCES AND USES FOR PUBLIC IMPROVEMENTS

Major Improvements Sources and Uses

Pursuant to the Service and Assessment Plan adopted on May 18, 2021, the initial total estimated costs of the Major Improvements, including bond issuance costs, were equal to \$5,018,558. According to Major Improvement Area Draw Request #1 approved by the City on July 12, 2021, the current estimated costs of the Major Improvements remain unchanged from the initial total estimated costs.

Table II-A-1 on the following page summarizes the current sources and uses of funds required to (1) construct the Major Improvements, (2) establish the PID, and (3) issue the MIA Bonds. The actual costs spent to date through Major Improvement Area Draw Request #1 are shown on Table II-A-1 on the following page.

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Table II-A-1
Current Sources and Uses – Major Improvements

Sources of Funds	Original Budget Estimates	Budget Revisions	Updated Budget	Spent to Date	Remaining to be Funded
Bond par amount	\$5,065,000	\$0	\$5,065,000	\$1,464,523	\$3,600,477
Original Issue Discount	(\$46,442)	\$0	(\$46,442)	\$0	(\$46,442)
Developer Contributions	\$0	\$0	\$0	\$0	\$0
Total Sources	\$5,018,558	\$0	\$5,018,558	\$1,464,523	\$3,554,035
Uses of Funds					
<u>Major Improvements</u>					
Roadway Improvements	\$644,812	\$0	\$644,812	\$0	\$644,812
Sanitary Sewer Improvements	\$1,784,962	\$0	\$1,784,962	\$0	\$1,784,962
Drainage Improvements	\$453,094	\$0	\$453,094	\$0	\$453,094
Other soft and miscellaneous costs	\$818,956	\$0	\$818,956	\$147,789	\$671,167
<i>Subtotal: Major Improvements</i>	<i>\$3,701,824</i>	<i>\$0</i>	<i>\$3,701,824</i>	<i>\$147,789</i>	<i>\$3,554,035</i>
<u>Bond Issuance Costs</u>					
Debt Service Reserve Fund	\$311,650	\$0	\$311,650	\$311,650	\$0
Administrative Expenses	\$105,700	\$0	\$105,700	\$105,700	\$0
Capitalized Interest	\$472,049	\$0	\$472,049	\$472,049	\$0
Cost of Issuance	\$275,385	\$0	\$275,385	\$275,385	\$0
Underwriters Discount/ Underwriters Counsel	\$151,950	\$0	\$151,950	\$151,950	\$0
<i>Subtotal: Bond Issuance Costs</i>	<i>\$1,316,734</i>	<i>\$0</i>	<i>\$1,316,734</i>	<i>\$1,316,734</i>	<i>\$0</i>
Total Uses	\$5,018,558	\$0	\$5,018,558	\$1,464,523	\$3,554,035

1 – According to MIA Draw Request #1 as approved by the City on July 12, 2021.

Major Improvement Area Cost Variances

As stated in Table II-A-1 above, there are no significant variances to the Major Improvement Area improvements cost budget.

Neighborhood Improvement Area #1 Improvements Sources and Uses

Pursuant to the Service and Assessment Plan adopted on May 18, 2021, the initial total estimated costs of the Neighborhood Improvement Area #1 Improvements, including bond issuance costs, were equal to \$8,791,242. According to the Neighborhood Improvement Area #1 Draw Request #1 approved by the City on July 12, 2021, the current estimated costs of the Neighborhood Improvement Area #1 Improvements remain unchanged from the original estimates.

Table II-A-2 on the following page summarizes the updated sources and uses of funds required to (1) construct the Neighborhood Improvement Area #1 Improvements, including the proportional share of the Major Improvement costs, (2) establish the PID, and (3) issue NIA #1 Bonds. The actual costs spent to date through Neighborhood Improvement Area #1 Draw Request #1 are shown on Table II-A-2 on the following page.

Table II-A-2
Current Sources and Uses – Neighborhood Improvement Area #1

Sources of Funds	Original Budget Estimates	Budget Revisions	Updated Budget	Spent to Date	Remaining to be Funded
Bond par amount	\$2,543,000	\$0	\$2,543,000	\$776,965	\$1,766,035
Bond Premium	\$14,107	\$0	\$14,107	\$0	\$14,107
Developer Contributions	\$6,234,135	\$0	\$6,234,135	\$0	\$6,234,135
Total Sources	\$8,791,242	\$0	\$8,791,242	\$776,965	\$8,014,277
Uses of Funds					
<i>Major Improvements</i>					
Roadway Improvements	\$218,571	\$0	\$218,571	\$0	\$218,571
Sanitary Sewer Improvements	\$605,047	\$0	\$605,047	\$0	\$605,047
Drainage Improvements	\$153,585	\$0	\$153,585	\$0	\$153,585
Other soft and miscellaneous costs	\$277,601	\$0	\$277,601	\$59,764	\$217,836
<i>Subtotal: Major Improvements</i>	<i>\$1,254,804</i>	<i>\$0</i>	<i>\$1,254,804</i>	<i>\$59,764</i>	<i>\$1,195,040</i>
<i>NIA #1 Improvements</i>					
Roadway Improvements	\$2,557,028	\$0	\$2,557,028	\$0	\$2,557,028
Sanitary Sewer Improvements	\$882,739	\$0	\$882,739	\$0	\$882,739
Drainage Improvements	\$1,398,646	\$0	\$1,398,646	\$0	\$1,398,646
Park Improvements	\$394,600	\$0	\$394,600	\$0	\$394,600
Other soft and miscellaneous costs	\$1,586,224	\$0	\$1,586,224	\$0	\$1,586,224
<i>Subtotal: NIA #1 Improvements</i>	<i>\$6,819,237</i>	<i>\$0</i>	<i>\$6,819,237</i>	<i>\$0</i>	<i>\$6,819,237</i>
<i>Bond Issuance Costs</i>					
Debt Service Reserve Fund	\$155,130	\$0	\$155,130	\$155,130	\$0
Administrative Expenses	\$105,700	\$0	\$105,700	\$105,700	\$0
Capitalized Interest	\$215,081	\$0	\$215,081	\$215,081	\$0
Cost of Issuance	\$165,000	\$0	\$165,000	\$165,000	\$0
Underwriters Discount/ Underwriters Counsel	\$76,290	\$0	\$76,290	\$76,290	\$0
<i>Subtotal: Bond Issuance Costs</i>	<i>\$717,201</i>	<i>\$0</i>	<i>\$717,201</i>	<i>\$717,201</i>	<i>\$0</i>
Total Uses	\$8,791,242	\$0	\$8,791,242	\$776,965	\$8,014,277

1 – According to NIA #1 Draw Request #1 as approved by the City on July 12, 2021.

Neighborhood Improvement Area #1 Improvement Cost Variances

As stated in Table II-A-2 above, there are no significant variances to the Neighborhood Improvement Area #1 Improvements' cost budget.

B. FIVE YEAR SERVICE PLAN

According to the PID Act, a service plan must cover a period of five years.

The projected Major Improvement Area Annual Installments over a period of five years is shown by Table II-B-1 below.

Table II-B-1
Major Improvement Area
Projected Annual Installments (2021-2027)

Assessment Year ending September 15	Principal Payments	Interest Expense	Administrative Expenses ¹	Prepayment & Delinquency Reserves	Capitalized Interest or Other Available Credits ²	Annual PID Installments ³
2021	\$0	\$55,024	\$0	\$0	(\$55,024)	\$0
2022	\$0	\$208,513	\$39,600	\$0	(\$248,113)	\$0
2023	\$0	\$208,513	\$39,600	\$0	(\$248,113)	\$0
2024	\$103,000	\$208,513	\$36,414	\$25,325	\$0	\$373,252
2025	\$107,000	\$204,650	\$37,142	\$24,810	\$0	\$373,602
2026	\$111,000	\$200,638	\$37,885	\$24,275	\$0	\$373,798
2027	\$115,000	\$196,475	\$38,643	\$23,720	\$0	\$373,838
Total	\$436,000	\$1,282,324	\$229,284	\$98,130	(\$551,249)	\$1,494,489

1 – Projected Administrative Expenses were funded at closing of the MIA Bonds.

2 – Other available credits include but is not necessarily limited to interest income earned in the Reserve Fund or excess funds available from the trust accounts.

3 – Assessment years ending 2021-2022 reflect actual Annual Installments and are net of applicable investment income and other credits. Assessment years 2023 through 2027 reflect projected Annual Installments and will be updated in future annual service plan updates.

The projected Neighborhood Improvement Area #1 Annual Installments over a period of five years is shown by Table II-B-2 on the following page.

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Table II-B-2
Neighborhood Improvement Area #1
Projected Annual Installments (2021-2027)

Assessment Year ending September 15	Principal Payments ¹	Interest Expense	Administrative Expenses ¹	Prepayment & Delinquency Reserves	Capitalized Interest or Other Available Credits ²	Annual PID Installments ³
2021	\$0	\$25,071	\$0	\$0	(\$25,071)	\$0
2022	\$0	\$95,005	\$39,600	\$0	(\$134,605)	\$0
2023	\$0	\$95,005	\$39,600	\$0	(\$134,605)	\$0
2024	\$60,000	\$95,005	\$36,414	\$12,715	\$0	\$204,134
2025	\$62,000	\$93,130	\$37,142	\$12,415	\$0	\$204,687
2026	\$63,000	\$91,193	\$37,885	\$12,105	\$0	\$204,183
2027	\$65,000	\$89,224	\$38,643	\$11,790	\$0	\$204,657
Total	\$250,000	\$583,632	\$229,284	\$49,025	(\$294,281)	\$817,661

1 – Projected Administrative Expenses were funded at closing of the NIA #1 Bonds.

2 – Other available credits include but is not necessarily limited to interest income earned in the Reserve Fund or excess funds available from the trust accounts.

3 – Assessment years ending 2021-2022 reflect actual Annual Installments and are net of applicable investment income and other credits. Assessment years 2023 through 2027 reflect projected Annual Installments and will be updated in future annual service plan updates.

C. STATUS OF DEVELOPMENT

According to the Developer and the Limited Offering Memorandum of the MIA Bonds, construction of the Major Improvements has begun and is anticipated to be completed by August 2022.

According to the Developer and the Limited Offering Memorandum of the NIA #1 Bonds, construction of the Neighborhood Improvement Area #1 Improvements has begun and is anticipated to be completed by August 2022.

See Appendix C for 2021 assessed values of all Parcels within the PID.

D. ANNUAL BUDGET – NEIGHBORHOOD IMPROVEMENT AREA #1

NIA #1 - Annual Installments – 2021-22

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 NIA #1 Bonds, of which thirty (30) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the NIA #1 Bonds commencing with the issuance of the NIA #1 Bonds. The effective interest rate on the NIA #1 Bonds is 3.74 percent per annum. 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 effective interest rate on the NIA #1 Bonds (3.74 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City 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 PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under applicable documents including the Service and Assessment Plan and Trust Indenture such as capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the NIA #1 Bonds 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. 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 and applicable Trust Indenture.

Neighborhood Improvement Area #1 Annual Installments to be Collected for 2021-22

The budget for Neighborhood Improvement Area #1 of the PID 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 NIA #1 Annual Installments
to be Collected for 2021-22**

	NIA #1 Bonds
Interest payment on March 15, 2022	\$47,503
Interest payment on September 15, 2022	\$47,503
Principal payment on September 15, 2022	\$0
<i>Subtotal debt service payments</i>	<i>\$95,005</i>
Administrative expenses	\$39,600
Excess interest for prepayment and delinquency reserves	\$0
<i>Subtotal Expenses</i>	<i>\$134,605</i>
Available reserve fund income	\$0
Available capitalized interest account	(\$95,005)
Available Administrative Expense account	(\$39,600)
<i>Subtotal funds available</i>	<i>(\$134,605)</i>
Annual Installments	\$0

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 15, 2022 in the amount of \$47,503 and on September 15, 2022 in the amount of \$47,503, which equal interest on the outstanding NIA #1 Assessments balance of \$2,543,000 for six months each and an effective interest rate of 3.74 percent. Annual Installments to be collected include a principal amount of \$0 due on September 15, 2022. As a result, total Annual Installments to be collected in 2021-22 for principal and interest is estimated to be equal to \$95,005.

Administrative Expenses

Administrative expenses include the City, Trustee, Administrator, auditor, and dissemination agent fees. As shown in Table II-D-2 below, the total NIA #1 administrative expenses to be collected for 2021-22 are estimated to be \$39,600.

Table II-D-2
Administrative Budget Breakdown

Description	2021-22 Estimated Budget (9/1/21-8/31/22)
City	\$5,000
Administrator	\$25,000
Trustee	\$2,500
Auditor	\$3,500
Dissemination Agent	\$3,600
Total	\$39,600

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments for excess interest for prepayment and delinquency reserves are anticipated to begin collection in Assessment Year ending 2024. As a result, there are no Annual Installments for excess prepayment and delinquency reserves to be collected for 2021-22.

Available Reserve Fund Income

As of June 30, 2021, the balance in the Reserve Fund was \$155,130, which includes the NIA #1 Bond Reserve Requirement of \$155,130 and investment income of \$0. As a result, there is no Reserve Fund income anticipated to be available to pay a portion of the NIA #1 Bonds debt service for 2021-22.

Available Capitalized Interest Account

According to Section 6.4(c) of the Indenture, Capitalized Interest funds shall be used for payment of all interest due on March 15, 2022 and September 15, 2022. As a result, there is \$95,005 anticipated to be available to reduce the NIA #1 Annual Installment for 2021-22.

Available Administrative Expense Account

According to the NIA #1 Bond Closing Memorandum, \$105,700 in administrative expenses were funded at the issuance of the NIA #1 Bonds. As a result, there are \$39,600 anticipated to be available in the Administrative Expense Fund to reduce the NIA #1 Annual Installment for 2021-22.

E. ANNUAL INSTALLMENTS PER UNIT - NEIGHBORHOOD IMPROVEMENT AREA #1

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the NIA #1 Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses of NIA #1.

According to the Service and Assessment Plan, 194 units, representing 174.11 total Equivalent Units, were anticipated to be built within NIA #1 of the PID. Accordingly, the net principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$0 (i.e. $(\$95,005 - \$95,005) \div 174.11 = \$0$) and the net Administrative Expenses to be collected from each Equivalent Unit will be \$0 (i.e. $(\$39,600 - \$39,600) \div 174.11 = \$0$). As a result, the total Annual Installment to be collected from each Equivalent Unit within NIA #1 will be \$0. The Annual Installment to be collected from each Parcel within NIA #1 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$0 by the total estimated Equivalent Units for each Parcel in NIA #1 for 2021-22.

The Annual Installment due to be collected from each Land Use Class in NIA #1 for 2021-22 is shown in Table II-E-1 below.

Table II-E-1
Annual Installment Per Unit – NIA #1

Land Use Class	Annual Installment Per Equivalent Unit	Equivalent Unit Factor	Annual Installment Per Unit
50 Ft Lots	\$0.00	1.00	\$0.00
40 Ft Lots	\$0.00	0.89	\$0.00
Townhomes	\$0.00	0.79	\$0.00

The list of Parcels within NIA #1 of the PID, the number of units to be developed on the current residential Parcels, the corresponding total Equivalent Units, the total outstanding Assessment, the

annual principal and interest, the Administrative Expenses, and the Annual Installment to be collected for 2021-22 are shown in the Assessment Roll Summary attached hereto as Appendix D.

F. ANNUAL BUDGET – MAJOR IMPROVEMENT AREA

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 MIA Bonds, of which thirty (30) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the MIA Bonds commencing with the issuance of the MIA Bonds. The effective interest rate on the MIA Bonds is 4.12 percent. 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 effective interest rate on the MIA Bonds (4.12 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City 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 PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under an applicable Trust Indenture capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the MIA Bonds 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. 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 and applicable Trust Indenture.

Annual Installments to be Collected for 2021-22

The budget for the Major Improvement Area of the PID will be paid from the collection of Annual Installments collected for 2021-22 as shown by Table II-F-1 on the following page.

Table II-F-1
Budget for the MIA
Annual Installments to be Collected for 2021-22

	MIA Bonds
Interest payment on March 15, 2022	\$104,256
Interest payment on September 15, 2022	\$104,256
Principal payment on September 15, 2022	\$0
<i>Subtotal debt service payments</i>	<i>\$208,513</i>
Administrative expenses	\$39,600
Excess interest for prepayment and delinquency reserves	\$0
<i>Subtotal Expenses</i>	<i>\$248,113</i>
Available reserve fund income	\$0
Available capitalized interest account	(\$208,513)
Available Administrative Expense account	(\$39,600)
<i>Subtotal funds available</i>	<i>(\$248,113)</i>
Annual Installments	\$0

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 15, 2022, in the amount of \$104,256 and on September 15, 2022, in the amount of \$104,256, which equal interest on the outstanding Major Improvement Area Assessments balance of \$5,065,000 for six months each and an effective interest rate of 4.12 percent. Annual Installments to be collected include a principal amount of \$0 due on September 15, 2022. As a result, total Major Improvement Annual Installments to be collected for principal and interest in 2021-22 is estimated to be equal to \$208,513.

Administrative Expenses

Administrative expenses include the City, Trustee, Administrator, auditor, and dissemination agent fees. As shown in Table II-F-2 on the following page, the total Major Improvement Area administrative expenses to be collected for 2021-22 are estimated to be \$39,600.

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Table II-F-2
Administrative Budget Breakdown

Description	2021-22 Estimated Budget (9/1/21-8/31/22)
City	\$5,000
Administrator	\$25,000
Trustee	\$2,500
Auditor	\$3,500
Dissemination Agent	\$3,600
Total	\$39,600

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments for excess interest for prepayment and delinquency reserves are anticipated to begin collection in Assessment Year ending 2024. As a result, there are no Annual Installments for excess prepayment and delinquency reserves to be collected for 2021-22.

Available Reserve Fund Income

As of June 30, 2021, the balance in the Reserve Fund was \$311,650, which includes the MIA Bond Reserve Requirement of \$311,650 and investment income of \$0. As a result, there is no Reserve Fund income anticipated to be available to pay a portion of the MIA Bonds debt service for 2021-22.

Available Capitalized Interest Account

According to Section 6.4(c) of the Indenture, Capitalized Interest funds shall be used for payment of all interest due on March 15, 2022 and September 15, 2022. As a result, there is \$208,513 anticipated to be available to reduce the MIA Annual Installment for 2021-22.

Available Administrative Expense Account

According to the MIA Bond Closing Memorandum, \$105,700 in administrative expenses were funded at the issuance of the MIA Bonds. As a result, there are \$39,600 anticipated to be available in the Administrative Expense Fund to reduce the MIA Annual Installment for 2021-22.

G. ANNUAL INSTALLMENTS PER UNIT - MAJOR IMPROVEMENT AREA

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the MIA Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses of the Major Improvement Area.

According to the Service and Assessment Plan, 571 units representing 513.63 total Equivalent Units are anticipated to be built within the Major Improvement Area of the PID. Accordingly, the net principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$0 (i.e. $(\$208,513 - \$208,513) \div 513.63 = \$0$) and the net Administrative Expenses to be collected from each Equivalent Unit will be \$0 (i.e. $(\$39,600 - \$39,600) \div 513.63 = \$0$). As a result, the total Annual Installment to be collected from each Equivalent Unit within the Major Improvement Area will be \$0 for each Parcel within the Major Improvement Area. The Annual Installment to be collected from each Parcel within the Major Improvement Area is calculated by multiplying the Annual Installment for each Equivalent Unit of \$0 by the total estimated Equivalent Units for each Parcel in the Major Improvement Area for 2021-22.

The Annual Installment due to be collected from each Land Use Class in Neighborhood Improvement Area #1 for 2021-22 is shown in Table II-G-1 below.

Table II-G-1
Annual Installment Per Unit – Major Improvement Area

Land Use Class	Annual Installment per Equivalent Unit	Equivalent Unit Factor	Annual Installment Per Unit
50 Ft Lots	\$0.00	1.00	\$0.00
40 Ft Lots	\$0.00	0.89	\$0.00
Townhomes	\$0.00	0.79	\$0.00

The list of Parcels within the Major Improvement Area of the PID, 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 E.

H. BOND REDEMPTION RELATED UPDATES

NIA #1 Bonds

The NIA #1 Bonds were issued in 2021. Pursuant to Section 4.3 of the NIA #1 Trust Indenture, the City reserves the right and option to redeem the NIA #1 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after **September 15, 2029**, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the applicable Trust Indenture.

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

MIA Bonds

The MIA Bonds were issued in 2021. Pursuant to Section 4.3 of the MIA Trust Indenture, the City reserves the right and option to redeem the Major Improvement Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after **September 15, 2029**, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the applicable Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the MIA Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the City 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 Rolls shall be updated each year to reflect:

- (i) the identification of each Parcel
- (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by the Service and Assessment Plan or in the PID Act;
- (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and
- (iv) payments of the Assessment, if any, as provided by Section VI.I of the Service and Assessment Plan.

The summary of updated Assessment Rolls is shown in Appendix D and Appendix E of this report. Each Parcel in the PID 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.

B. PREPAYMENT OF ASSESSMENTS

As of July 31, 2021, there have been no prepayment of Assessments for any Parcel within the PID.

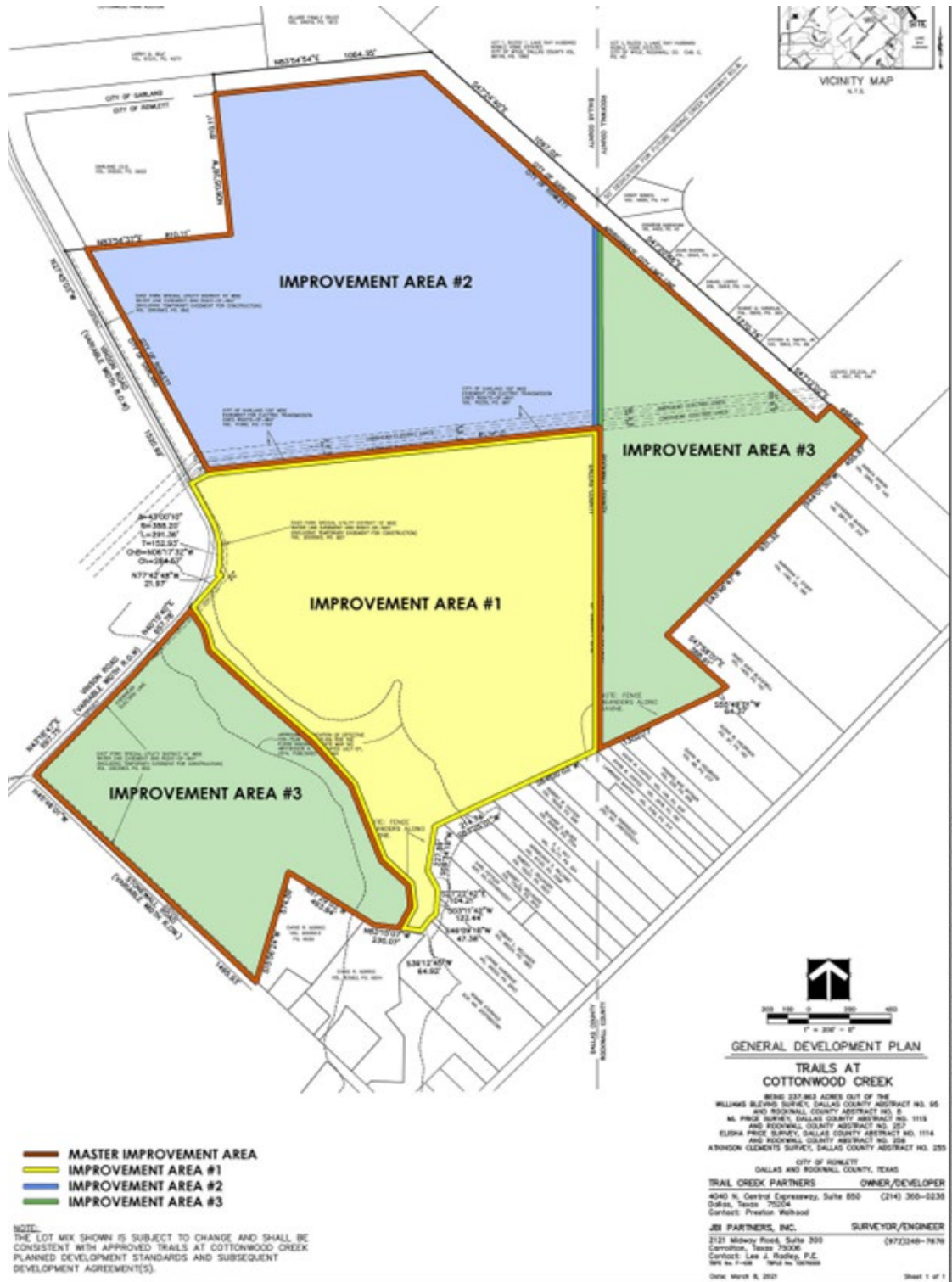
The complete Assessment Roll is available for review at Rowlett City Hall, located at 4004 Main Street, Rowlett, Texas 75088.

APPENDIX A
PID MAP

PID MAP



FUTURE NEIGHBORHOOD IMPROVEMENT AREA MAP



APPENDIX B
PREPAID PARCELS

APPENDIX B

As of July 31, 2021, there have been no prepayment of Assessments for any Parcel within the PID.

APPENDIX C
ASSESSED VALUE

**Trails at Cottonwood Creek PID
2021 Assessed Value**

Parcel	2021 Assessed Value¹
65009569510010000	\$3,982,970
65025577510530000	\$63,000
65111431510110100	\$105,610
10084	\$190
13149	\$320
Total	\$4,152,090

1 - Assessed Value per Dallas County Appraisal District and Rockwall County Appraisal District online records as of August 18, 2021.

APPENDIX D
NEIGHBORHOOD IMPROVEMENT AREA #1 ASSESSMENT ROLL – 2021-22

**TRAILS AT COTTONWOOD CREEK PUBLIC IMPROVEMENT DISTRICT
 NEIGHBORHOOD IMPROVEMENT AREA #1 ASSESSMENT ROLL
 2021-22**

Parcel ID	Outstanding Assessments	% of Assessment for allocating 2021-22 Annual Installment	Prinicipal	Interest	Administrative Expense	Excess Interest for Reserves	2021-22 Annual Installment
65009569510010000	\$2,543,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$2,543,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

APPENDIX E
MAJOR IMPROVEMENT
ASSESSMENT ROLL – 2021-22

**TRAILS AT COTTONWOOD CREEK PUBLIC IMPROVEMENT DISTRICT
 MAJOR IMPROVEMENT AREA ASSESSMENT ROLL
 2021-22**

Parcel ID	Outstanding Assessments	% of Assessment for allocating 2021-22 Annual Installment	Prinicpal	Interest	Administrative Expense	Excess Interest for Reserves	2021-22 Annual Installment
65009569510010000, 65025577510530000, 65111431510110100, 10084, 13149	\$5,065,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$5,065,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

APPENDIX F
PID ASSESSMENT NOTICE

PID Assessment Notice

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF ROWLETT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

[insert property address]

As the purchaser of the real property described above, you are obligated to pay assessments to the City of Rowlett, Texas (the "City"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within the Trails at Cottonwood Creek Public Improvement District (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the City. The exact amount of each annual installment will be approved each year by the City Council in the Annual Service Plan Update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the City or MuniCap, Inc., the District Administrator for the City, located at 600 E. John Carpenter Fwy, Suite 333, Irving, Texas 75062 and available by telephone at (469) 490-2800 or (866) 648-8482 (toll free) and email at txpid@municap.com.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

Date: _____

Signature of Seller

Signature of Seller

The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

Date: _____

Signature of Purchaser

Signature of Purchaser

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed, in the capacity stated and as the act and deed of the above-referenced entities as an authorized signatory of said entities.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas