

**NORTH GROVE
PUBLIC IMPROVEMENT DISTRICT**

CITY OF WAXAHACHIE, TEXAS

**ANNUAL SERVICE PLAN UPDATE
(ASSESSMENT YEAR 8/15/22 – 8/14/23)**

**AS APPROVED BY CITY COUNCIL ON:
SEPTEMBER 6, 2022**

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

**NORTH GROVE
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**ANNUAL SERVICE PLAN UPDATE
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A. INTRODUCTION

The North Grove Public Improvement District (the “PID”) was created pursuant to the PID Act and a resolution of the City Council on September 15, 2014 to finance certain public improvement projects for the benefit of the property in the PID.

The PID consists of approximately 769 acres of property within the City limits. Improvement Area #1 consists of approximately 477 acres within the PID. Improvement Area #2 consists of approximately 79 acres within the PID. Improvement Area #3 consists of approximately 213 acres within 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 “Improvement Area #1 Improvements”) to be provided by the PID, the costs of the Improvement Area #1 Improvements, the indebtedness to be incurred for the Improvement Area #1 Improvements, and the manner of assessing the property in the PID for the costs of the Improvement Area #1 Improvements.

The City of Waxahachie, Texas Special Assessment Revenue Bonds, Series 2015 (North Grove Public Improvement District Improvement Area #1 Project) (the “Improvement Area #1 Bonds”) in the aggregate principal amount of \$6,675,000 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.

The Service and Assessment Plan was initially updated on April 19, 2021 for Improvement Area #2 (the “Updated Service and Assessment Plan”) at the direction of the City identifying the public improvements for Improvement Area #2 (the “Improvement Area #2 Improvements”) to be provided by the PID, the costs of the Improvement Area #2 Improvements, the indebtedness to be incurred for the Improvement Area #2 Improvements, and the manner of assessing the property in the PID for the costs of the Improvement Area #2 Improvements.

The Updated Service and Assessment Plan was updated again on May 16, 2022 for the Improvement Areas #2-3 Bonds (collectively, the “Updated Service and Assessment Plan”) to incorporate the additional bond issuance described below and to identify the public improvements for Improvement Area #3 (the “Improvement Area #3 Improvements”) to be provided by the PID, the costs of the Improvement Area #3 Improvements, the indebtedness to be incurred for the Improvement Area #3 Improvements, and the manner of assessing the property in the PID for the costs of the Improvement Area #3 Improvements. Pursuant to Chapter 372, Texas Local Government Code, the Updated Service and Assessment Plan must be reviewed and updated annually. This document is the annual update of the Updated Service and Assessment Plan for 2022-23 (the “Annual Service Plan Update”).

The City of Waxahachie, Texas Special Assessment Revenue Bonds, Series 2022 (North Grove Public Improvement District Improvement Areas #2-3 Project) (the “Improvement Areas #2-3 Bonds”) in the aggregate principal amount of \$5,825,000 were issued to finance, provide or otherwise assist in the acquisition, construction and maintenance of the public improvements

provided for the benefit of the property in the PID. The Improvement Areas #2-3 Bonds were issued for the Improvement Areas #2-3 Authorized Improvements (the “Improvement Areas #2-3 Improvements”) and are secured by the Assessments shown on the Improvement Area #2 and Improvement Area #3 Assessment Rolls.

The City also adopted the Improvement Area #1 Assessment Roll, Improvement Area #2 Assessment Roll, and Improvement Area #3 Assessment Roll attached as Appendix E, Appendix F-2, and Appendix F-3, respectively, to the Updated Service and Assessment Plan identifying the Special Assessments on each Parcel within of the PID, based on the method of assessment identified in the Updated Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Rolls for 2022-23.

Effective September 1, 2021, 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 E and a 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 situations 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 providing 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 Updated Service and Assessment Plan unless otherwise defined herein.

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B. UPDATE OF THE SERVICE PLAN

I. ANNUAL BUDGET FOR THE PUBLIC IMPROVEMENTS

Improvement Area #1 Improvements

The total costs of the Improvement Area #1 Improvements are equal to \$4,530,000, which remains the same as the Developer has not reported any change from the budget estimates included in the original Service and Assessment Plan.

According to the Developer's Quarterly Improvement Implementation Report dated June 30, 2018, all Improvement Area #1 Improvements are complete and have been accepted by the City during the second quarter of 2018.

As shown by Table B-I-1 below, the PID has incurred indebtedness in the total amount of \$6,675,000 in the form of the Improvement Area #1 Bonds, which are to be repaid from Improvement Area #1 Special Assessments.

Table B-I-1
Sources and Uses of Funds
Improvement Area #1 Improvements

| Sources of Funds | Total Budget | Actual Costs¹ | Variance |
|---|---------------------|---------------------------------|-----------------|
| Bond proceeds | \$6,675,000 | \$6,675,000 | \$0 |
| Total sources of funds | \$6,675,000 | \$6,675,000 | \$0 |
| Uses of Funds | | | |
| Improvement Area #1 Improvements | | | |
| Estimated costs paid with Bonds | \$4,530,000 | \$4,530,000 | \$0 |
| Other Project Fund deposits | \$205,000 | \$205,000 | \$0 |
| <i>Subtotal: Project Fund deposits</i> | <i>\$4,735,000</i> | <i>\$4,735,000</i> | <i>\$0</i> |
| Costs of issuing the Bonds | | | |
| Deposit to capitalized interest fund | \$795,000 | \$795,000 | \$0 |
| Deposit to debt service reserve fund | \$510,000 | \$510,000 | \$0 |
| Bond issue costs | \$635,000 | \$635,000 | \$0 |
| <i>Subtotal: Costs of issuing the Bonds</i> | <i>\$1,940,000</i> | <i>\$1,940,000</i> | <i>\$0</i> |
| Total uses of funds | \$6,675,000 | \$6,675,000 | \$0 |

1 – According to Developer's Quarterly Improvement Implementation Report dated June 30, 2022.

Improvement Area #2 Improvements

The total costs of the Improvement Area #2 Improvements are equal to \$5,218,655, which remains the same as the Developer has not reported any change from the budget estimates included in the Updated Service and Assessment Plan. Additional updates have been requested from the Developer, and such updates will be incorporated into the next Annual Service and Assessment Plan Update once received, reviewed, and approved by the City.

The Improvement Area #2 Improvements were completed and accepted by the City on June 20, 2022.

As shown by Table B-I-2 below, the total estimated cost of Improvement Area #2 Improvements is \$5,281,655 (excluding bond issuance costs), of which disbursements in the total amount of \$2,149,884 have been submitted by the Developer as part of the requisition for payment from the Improvement Areas #2-3 Bonds.

Table B-I-2
Sources and Uses of Funds
Improvement Area #2 Improvements

| Sources of Funds | Initial Estimated Budget | Actual Amount Requisitioned¹ | Projected Additional Amount to be submitted |
|---|---|--|--|
| IA #2 share of Improvement Areas #2-3 Bonds | \$1,870,000 | \$1,870,000 | \$0 |
| Owner Contribution (a) | \$3,742,315 | \$610,544 | \$3,131,771 |
| Total Sources of Funds | \$5,612,315 | \$2,480,544 | \$3,131,771 |
| Uses of Funds | | | |
| Project Fund Deposits | | | |
| Authorized Improvement | \$5,281,655 | \$2,149,884 | \$3,131,771 |
| Estimated Bond Issuance Costs | | | |
| Debt Service Reserve Fund | \$130,617 | \$130,617 | \$0 |
| Capitalized Interest | \$0 | \$0 | \$0 |
| Cost of Issuance | \$130,782 | \$130,782 | \$0 |
| Administrative Expenses | \$13,161 | \$13,161 | \$0 |
| Underwriters Discount | \$56,100 | \$56,100 | \$0 |
| <i>Subtotal Bond Issuance Costs</i> | <i>\$330,660</i> | <i>\$330,660</i> | <i>\$0</i> |
| Total Uses of Funds | \$5,612,315 | \$2,480,544 | \$3,131,771 |

1- According to Requisition #1 approved on 6/21/22.

Improvement Area #3 Improvements

The total costs of the Improvement Area #3 Improvements are equal to \$4,161,444, which remains the same as the Developer has not reported any change from the budget estimates included in the Updated Service and Assessment Plan. Additional updates have been requested from the Developer, and such updates will be incorporated into the next Annual Service and Assessment Plan Update once received, reviewed, and approved by the City.

As shown by Table B-I-3 on the following page, the total estimated cost of Improvement Area #3 Improvements is \$4,161,444 (excluding bond issuance costs), of which disbursements in the total amount of \$3,255,660 have been submitted by the Developer as part of the requisition for payment from the Improvement Areas #2-3 Bonds.

Table B-I-3
Sources and Uses of Funds
Improvement Area #3 Improvements

| Sources of Funds | Initial Estimated Budget | Actual Amount Requisitioned | Projected Additional Amount to be submitted |
|--------------------------------------|---|--|--|
| IA #3 share of Improvement Areas | \$3,955,000 | \$3,955,000 | \$0 |
| #2-3 Bonds | | | |
| Owner Contribution (a) | \$905,784 | \$0 | \$905,784 |
| Total Sources of Funds | \$4,860,784 | \$3,955,000 | \$905,784 |
| Uses of Funds | | | |
| <u>Project Fund Deposits</u> | | | |
| Authorized Improvement | \$4,161,444 | \$3,255,660 | \$905,784 |
| <u>Estimated Bond Issuance Costs</u> | | | |
| Debt Service Reserve Fund | \$276,252 | \$276,252 | \$0 |
| Capitalized Interest | \$0 | \$0 | \$0 |
| Cost of Issuance | \$276,599 | \$276,599 | \$0 |
| Administrative Expenses | \$27,839 | \$27,839 | \$0 |
| Underwriters Discount | \$118,650 | \$118,650 | \$0 |
| <i>Subtotal Bond Issuance Costs</i> | <i>\$699,340</i> | <i>\$699,340</i> | <i>\$0</i> |
| Total Uses of Funds | \$4,860,784 | \$3,955,000 | \$905,784 |

1- According to Requisition #1 approved on 7/25/22.

A service plan must cover a period of five years. The actual budget for the Improvement Area #1 Improvements is shown in Section B.I. of this report, and the indebtedness expected to be collected incurred for these costs are shown in Table B-I-4 on the following page.

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Table B-I-4
Improvement Area #1
Annual Projected Costs
2016 – 2028

| Assessment Year ending 08/15 | Projected Construction Costs | Net Improvement Area #1 Bond Proceeds ¹ | Net Owner Contributions | Projected Annual Installments for IA #1 ² |
|------------------------------|------------------------------|--|-------------------------|--|
| 2016-2022 | \$4,735,000 | \$4,735,000 | \$0 | \$3,091,220 |
| 2023 | \$0 | \$0 | \$0 | \$564,125 |
| 2024 | \$0 | \$0 | \$0 | \$551,828 |
| 2025 | \$0 | \$0 | \$0 | \$543,665 |
| 2026 | \$0 | \$0 | \$0 | \$535,518 |
| 2027 | \$0 | \$0 | \$0 | \$552,388 |
| 2028 | \$0 | \$0 | \$0 | \$542,776 |
| Total | \$4,735,000 | \$4,735,000 | \$0 | \$6,381,521 |

1 – Net Improvement Area #1 Bond proceeds represent the estimated costs of the Improvement Area #1 Improvements and other costs paid with bond proceeds. The remaining \$1,940,000 of the original \$6,675,000 of the Improvement Area #1 Bond par amount represents the Improvement Area #1 Bond issuance costs.

2 - Assessment Years ending 2016 through 2023 represent actual Annual Installments billed. Assessment Years 2024 through 2028 represent projected future Annual Installments and do not include any available credits, if any.

A service plan must cover a period of five years. The actual budget for the Improvement Area #2 Improvements and Improvement Area #3 Improvements are shown in Section B.I. of this report, and the indebtedness expected to be collected incurred for these costs are shown in Table B-I-5 below.

Table B-I-5
Improvement Areas #2-3
Annual Projected Costs
2021 – 2028

| Assessment Year ending 09/30 | Projected Construction Costs | Net Improvement Areas #2-3 Bond Proceeds ¹ | Net Owner Contributions | Projected Annual Installments for IA #2 ² | Projected Annual Installments for IA #3 ² |
|------------------------------|------------------------------|---|-------------------------|--|--|
| 2021-2022 | \$10,473,099 | \$5,825,000 | \$4,648,099 | \$0 | \$0 |
| 2023 | \$0 | \$0 | \$0 | \$152,868 | \$324,026 |
| 2024 | \$0 | \$0 | \$0 | \$152,389 | \$322,936 |
| 2025 | \$0 | \$0 | \$0 | \$153,099 | \$323,171 |
| 2026 | \$0 | \$0 | \$0 | \$152,707 | \$323,257 |
| 2027 | \$0 | \$0 | \$0 | \$153,266 | \$323,193 |
| 2028 | \$0 | \$0 | \$0 | \$152,723 | \$322,979 |
| Total | \$10,473,099 | \$5,825,000 | \$4,648,099 | \$917,052 | \$1,939,561 |

1 – Net Improvement Areas #2-3 Bond proceeds represent the estimated costs of the Improvement Area #2 and Improvement Area #3 Improvements and other costs paid with bond proceeds.

2 - Assessment Years ending 2021 through 2023 represent actual Annual Installments billed. Assessment Years 2024 through 2028 represent projected future Annual Installments and do not include any available credits, if any.

II. ANNUAL BUDGET – IMPROVEMENT AREA #1

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-one Annual Installments of principal and interest beginning with the tax year following the issuance of the Improvement Area #1 Bonds, of which twenty-three (23) Annual Installments remain outstanding.

Pursuant to the Updated Service and Assessment Plan, each Assessment shall bear interest at the rate on the Improvement Area #1 Bonds commencing with the issuance of the Improvement Area #1 Bonds. The effective interest rate on the Improvement Area #1 Bonds is 6.00 percent for 2022-23. 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 additional interest of one-half of one percent (the “Excess Interest Rate”) is included in the Annual Installment calculation for 2022-23. In addition, the estimated annual Administrative Expenses for 2022-23 are included in the Annual Installments for 2022-23. These Annual Installments of the Special Assessments shall be billed by the City, or any other party designated by the City, in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Updated Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Special Assessments and the Annual Installment due for 2022-23 to be collected from each Parcel. The Annual Installment amount shall be allocated to each Parcel based on the percentage of Assessment allocated to each Parcel within Improvement Area #1, as calculated using the amount of Assessment on a Parcel to the total amount of Special Assessments within Improvement Area #1 of 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 ordinance or Indenture of Trust, 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 on the Improvement Area #1 Bonds will be paid from the collection of the Annual Installments. Administrative Expenses are also to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments and other PID Administration Expenses. In addition, 40 percent of the additional interest amount collected as part of the Annual Installment will be used to fund the Prepayment Reserve and 60 percent of such additional interest amount collected will be used to fund the Delinquency Reserve, as described in the Updated Service and Assessment Plan and the applicable Indenture of Trust.

Annual Installments to be Collected for 2022-23

The budget for the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown in Table B-II-1 on the following page.

Table B-II-1
Budget for the Improvement Area #1 Annual Installments
to be Collected for 2022-23

| Descriptions | Improvement Area #1 Bonds |
|---|------------------------------|
| Interest payment on February 15, 2023 | \$183,750 |
| Interest payment on August 15, 2023 | \$183,750 |
| Principal payment on August 15, 2023 | \$125,000 |
| <i>Subtotal Debt Service on Bonds</i> | <i>\$492,500</i> |
| Excess Interest for Prepayment and Delinquency Reserves | \$30,625 |
| Collection Costs | \$41,000 |
| <i>Subtotal Expenses</i> | <i>\$564,125</i> |
| Available Capitalized Interest Funds | \$0 |
| Available Administrative Account Funds | \$0 |
| <i>Subtotal Funds Available</i> | <i>\$0</i> |
| Annual Installment to be Collected | \$564,125 |

As shown in Table B-II-1 above, the total Annual Installment for 2022-23 is equal to \$564,125. The total debt service payments on the Improvement Area #1 Bonds, the excess interest for Prepayment and Delinquency Reserves to be collected, and the estimated Administrative Expenses for 2022-23 are shown as \$492,500, \$30,625 ($\$6,125,000 \times 0.5\% = \$30,625$) and \$41,000, respectively.

According to the Ellis Central Appraisal District online records, there were Owner Association Properties in 2022. As a result, the Annual Installment for 2022-23 will be collected from all Assessed Property within Improvement Area #1 that are shown in the Ellis Central Appraisal District (ECAD) records for 2022. The Annual Installment to be collected from each Parcel in Improvement Area #1 is determined using the percentage of Special Assessments for each Parcel as shown in Table B-II-2 on the following page.

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Table B-II-2
Allocation of Annual Installment to Parcels for 2022-23

| Parcel ID | Tract # | Outstanding Assessment² | % of Total Assessment for allocating the 2022-23 Annual Installment | Annual Installment 2022-23³ |
|-------------------------|----------------|---|--|---|
| 262125 | 1 | \$232,640 | 3.80% | \$21,426.57 |
| 262126 | 2 | \$226,597 | 3.70% | \$20,870.06 |
| 283986 | 3 & 4 | \$543,835 | 8.88% | \$50,088.28 |
| 262129 | 5 | \$241,704 | 3.95% | \$22,261.39 |
| 262130 | 6 | \$211,491 | 3.45% | \$19,478.73 |
| 283993 | 7 | \$285,356 | 4.66% | \$26,281.87 |
| 291129 | 7 | \$47,234 | 0.77% | \$4,350.34 |
| 179059 | 8A & 8B | \$360,627 | 5.89% | \$33,214.44 |
| 88 residential Parcels | | \$670,237 | 10.94% | \$61,730.23 |
| 100 residential Parcels | | \$283,491 | 4.63% | \$26,110.09 |
| 75 residential Parcels | | \$218,406 | 3.57% | \$20,115.68 |
| 83 residential Parcels | | \$334,452 | 5.46% | \$30,803.70 |
| 190 residential Parcels | | \$826,531 | 13.49% | \$76,125.20 |
| 94 residential Parcels | | \$378,957 | 6.19% | \$34,902.75 |
| 101 residential Parcels | | \$264,342 | 4.32% | \$24,346.40 |
| 89 residential Parcels | | \$151,003 | 2.47% | \$13,907.65 |
| 272370 ¹ | | \$61,250 | 1.00% | \$5,641.25 |
| 194 residential Parcels | | \$786,849 | 12.85% | \$72,470.37 |
| | | \$6,125,000 | 100.00% | \$564,125.00 |

1 – According to the Ellis CAD, there are Owner Association Properties in 2021 to be considered for Annual Installment collections.

2 – The Special Assessment amounts for each Parcel have been allocated and shown in the Updated Service and Assessment Plan.

3 – The Annual Installment to be collected from each Parcel is calculated by multiplying the total Annual Installment amount of \$564,125 and the Percent of Total Special Assessment calculated for each Parcel.

The list of Parcels within the PID, the Outstanding Improvement Area #1 Special Assessments on each Parcel, the percentages calculated as shown in Table B-II-2 above and the Annual Installment to be collected for 2022-23 are shown in the Assessment Roll summary attached hereto as Appendix B.

III. ANNUAL BUDGET – IMPROVEMENT AREA #2

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 Areas #2-3 Bonds for the Improvement Area #2 Improvements, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Updated Service and Assessment Plan, each Assessment shall bear interest at the rate on the Improvement Areas #2-3 Bonds commencing with the issuance of the Improvement Areas #2-3 Bonds. The effective interest rate on the Improvement Areas #2-3 Bonds is 6.33 percent for 2022-23. 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 additional interest of one-half of one percent (the “Excess Interest Rate”) is included in the Annual Installment calculation for 2022-23. In addition, the estimated annual Administrative Expenses for 2022-23 are included in the Annual Installments for 2022-23. These Annual Installments of the Special Assessments shall be billed by the City, or any other party designated by the City, in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Updated Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Special Assessments and the Annual Installment due for 2022-23 to be collected from each Parcel. The Annual Installment amount shall be allocated to each Parcel based on the percentage of Assessment allocated to each Parcel within Improvement Area #2, as calculated using the amount of Assessment on a Parcel to the total amount of Special Assessments within Improvement Area #2 of 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 ordinance or Indenture of Trust, 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 on the Improvement Areas #2-3 Bonds will be paid from the collection of the Annual Installments. Administrative Expenses are also to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments and other PID Administration Expenses. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Updated Service and Assessment Plan and the applicable Indenture of Trust.

Annual Installments to be Collected for 2022-23

The budget for the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown by Table B-III-1 on the following page.

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Table B-III-1
Budget for the Improvement Area #2 Annual Installments
to be Collected for 2022-23

| Descriptions | Improvement Area #2 portion of the Improvement Areas #2-3 Bonds |
|---|--|
| Interest payment on February 15, 2023 | \$59,209 |
| Interest payment on August 15, 2023 | \$59,209 |
| Principal payment on August 15, 2023 | \$12,000 |
| <i>Subtotal Debt Service on Bonds</i> | <i>\$130,418</i> |
| Excess Interest for Prepayment and Delinquency Reserves | \$9,350 |
| Collection Costs | \$13,100 |
| <i>Subtotal Expenses</i> | <i>\$152,868</i> |
| Available Capitalized Interest Funds | \$0 |
| Available Administrative Account Funds | \$0 |
| <i>Subtotal Funds Available</i> | <i>\$0</i> |
| Annual Installment to be Collected | \$152,868 |

As shown in Table B-III-1 above, the total Annual Installment for 2022-23 is equal to \$152,868. The total debt service payments on the Improvement Areas #2-3 Bonds, the excess interest for Prepayment and Delinquency Reserves to be collected, and the estimated Administrative Expenses for 2022-23 are shown as \$130,418, \$9,350 ($\$1,870,000 \times 0.5\% = \$9,350$) and \$13,100, respectively.

According to the Updated Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Improvement Areas #2-3 Bonds, to fund the prepayment Reserve and Delinquency Reserve described in the Updated Service and Assessment Plan, and to cover Administrative Expenses of Improvement Area #2.

The Annual Installment for 2022-23 will only be collected from the Assessed Property within Improvement Area #2 that are shown in the Updated Service and Assessment Plan. The Annual Installment to be collected from each Lot Type in Improvement Area #2 is determined using the percentage of Special Assessments for each Lot Type, including the HOA, as shown in Table B-III-2 below.

Table B-III-2
Allocation of Annual Installment to Improvement Area #2 Parcels for 2022-23

| Lot Size | No. of Units | Total 2022-23 Annual Installment | Allocation Percentage ¹ | Annual Installment Per Unit |
|------------|-----------------|-------------------------------------|---------------------------------------|--------------------------------|
| 65' Ft Lot | 184 | \$152,868 | 100.00% | \$830.80 |
| HOA | 0 | \$152,868 | 0.00% | \$0.00 |

¹- Allocation percentages shown above are based on estimated build out values for Improvement Area #2 lots, excluding prepaid Parcels, if any.

The list of Parcels within Improvement Area #2 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 2022-23 are shown in the Assessment Roll Summary attached hereto as Appendix C.

IV. ANNUAL BUDGET – IMPROVEMENT AREA #3

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 Areas #2-3 Bonds for the Improvement Area #3 Improvements, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Updated Service and Assessment Plan, each Assessment shall bear interest at the rate on the Improvement Areas #2-3 Bonds commencing with the issuance of the Improvement Areas #2-3 Bonds. The effective interest rate on the Improvement Areas #2-3 Bonds is 6.33 percent for 2022-23. 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 additional interest of one-half of one percent (the “Excess Interest Rate”) is included in the Annual Installment calculation for 2022-23. In addition, the estimated annual Administrative Expenses for 2022-23 are included in the Annual Installments for 2022-23. These Annual Installments of the Special Assessments shall be billed by the City, or any other party designated by the City, in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Updated Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Special Assessments and the Annual Installment due for 2022-23 to be collected from each Parcel. The Annual Installment amount shall be allocated to each Parcel based on the percentage of Assessment allocated to each Parcel within Improvement Area #3, as calculated using the amount of Assessment on a Parcel to the total amount of Special Assessments within Improvement Area #3 of 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 ordinance or Indenture of Trust, 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 on the Improvement Areas #2-3 Bonds will be paid from the collection of the Annual Installments. Administrative Expenses are also to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments and other PID Administration Expenses. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Updated Service and Assessment Plan and the applicable Indenture of Trust.

Annual Installments to be Collected for 2022-23

The budget for the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown in Table B-IV-1 on the following page.

Table B-IV-1
Budget for the Improvement Area #3 Annual Installments
to be Collected for 2022-23

| Descriptions | Improvement Area #3 portion of the Improvement Areas #2-3 Bonds |
|---|--|
| Interest payment on February 15, 2023 | \$125,226 |
| Interest payment on August 15, 2023 | \$125,226 |
| Principal payment on August 15, 2023 | \$26,000 |
| <i>Subtotal Debt Service on Bonds</i> | <i>\$276,451</i> |
| Excess Interest for Prepayment and Delinquency Reserves | \$19,775 |
| Collection Costs | \$27,800 |
| <i>Subtotal Expenses</i> | <i>\$324,026</i> |
| Available Capitalized Interest Funds | \$0 |
| Available Administrative Account Funds | \$0 |
| <i>Subtotal Funds Available</i> | <i>\$0</i> |
| Annual Installment to be Collected | \$324,026 |

As shown in Table B-IV-1 above, the total Annual Installment for 2022-23 is equal to \$324,026. The total debt service payments on the Improvement Areas #2-3 Bonds, the excess interest for Prepayment and Delinquency Reserves to be collected, and the estimated Administrative Expenses for 2022-23 are shown as \$276,451, \$19,775 ($\$3,955,000 \times 0.5\% = \$19,775$) and \$27,800, respectively.

According to the Updated Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Improvement Areas #2-3 Bonds, to fund the prepayment Reserve and Delinquency Reserve described in the Updated Service and Assessment Plan, and to cover Administrative Expenses of Improvement Area #3.

The Annual Installment for 2022-23 will only be collected from the Assessed Property within Improvement Area #3 that are shown in the Updated Service and Assessment Plan. The Annual Installment to be collected from each Lot Type in Improvement Area #3 is determined using the percentage of Special Assessments for each Lot Type, including the HOA, as shown in Table B-IV-2 on the following page.

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Table B-IV-2
Allocation of Annual Installment to Improvement Area #3 Parcels for 2022-23

| Lot Size | No. of Units | Total 2022-23 Annual Installment | Allocation Percentage¹ | Annual Installment Per Unit |
|-----------------|---------------------|---|--|------------------------------------|
| 50' Ft Lot | 195 | \$324,026 | 26.02% | \$432.40 |
| 60' Ft Lot | 368 | \$324,026 | 63.26% | \$556.99 |
| 70' Ft Lot | 25 | \$324,026 | 4.75% | \$615.62 |
| 80' Ft Lot | 30 | \$324,026 | 5.97% | \$644.93 |
| HOA | 0 | \$324,026 | 0.00% | \$0.00 |

1- Allocation percentages shown above are based on estimated build out values for Improvement Area #3 lots, excluding prepaid Parcels, if any.

The list of Parcels within Improvement Area #3 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 2022-23 are shown in the Assessment Roll Summary attached hereto as Appendix D.

V. BOND REFUNDING RELATED UPDATES

The Improvement Area #1 Bonds were issued in 2015. Pursuant to Section 4.3 of the Indenture of Trust, the City 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 **August 15, 2023**, such redemption date or dates to be fixed by the City, 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 PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Improvement Area #1 Bonds do 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.

The Improvement Areas #2-3 Bonds were issued in 2022. Pursuant to Section 4.3 of the Indenture of Trust, the City reserves the right and option to redeem the Improvement Areas #2-3 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after **August 15, 2032**, such redemption date or dates to be fixed by the City, 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 PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Improvement Areas #2-3 Bonds do 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.

C. UPDATE OF THE ASSESSMENT PLAN

Improvement Area #1

The Updated Service and Assessment Plan adopted by the City Council provided that the Actual Costs of the portion of the Improvement Area #1 Improvements to be financed with the Improvement Area #1 Bonds shall be allocated to the Assessed Property by spreading the entire Assessment across all Assessed Property within Improvement Area #1. This method is based on allocating the Assessment in the following order: 1) the allocation of 1% of the Assessment to the Owners Association Property; 2) the allocation between residential and commercial Parcels based on the Appraised Value; and, 3) according to the following allocation:

- *Residential*: The sum of two weighted ratios that when combined equals 100%. Those two ratios and their assigned weights (as percent of the total) are as follows: The ratio of the Appraised Value of each Residential Parcel to the total Appraised Value for all of the Residential Parcels in Improvement Area #1 (20%); and, the ratio of the estimated number of residential units within a Parcel to the total number of residential units in Improvement Area #1 (80%).
- *Commercial*: the ratio of the Appraised Value of each Commercial Parcel to the total Appraised Value for all of the Commercial Parcels in Improvement Area #1.

This method of assessing property has not been changed other than the updated 2022-23 Annual Installment allocation percentage calculations shown above.

Improvement Area #2

As stated in the Updated Service and Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Improvement Area #2 Improvements financed with the Improvement Area #2 Reimbursement Agreement and/or Improvement Area #2 Bonds shall be allocated to the Improvement Area #2 Assessed Property by spreading the entire Special Assessment across all Improvement Area #2 Assessed Property within Improvement Area #2. This method is based on allocating the Special Assessment in the following order: 1) the allocation of 1% of the Special Assessment to the Owners Association Property; and 2) according to the following allocation:

- *Residential*: the ratio of the estimated buildout value and the estimated number of units to be developed on each parcel and the buildout value of all units estimated to be developed within Improvement Area #2.

Improvement Area #3

As stated in the Updated Service and Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Improvement Area #3 Improvements financed with the Improvement Area #3 Reimbursement Agreement and/or with Improvement Area #3's portion of the Improvement Areas #2-3 Bonds shall be allocated to the Improvement Area #3 Assessed Property by spreading the entire Special Assessment across all Improvement Area #3 Assessed Property within Improvement Area #3.

This method is based on allocating the Special Assessment in the following order: 1) the allocation of 1% of the Special Assessment to the Owners Association Property; and 2) according to the following allocation:

- *Residential*: the ratio of the estimated buildout value and the estimated number of units to be developed on each parcel and the buildout value of all units estimated to be developed within Improvement Area #3.

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D. UPDATE OF THE ASSESSMENT ROLL

Pursuant to the Updated Service and Assessment Plan, the Assessment Roll shall be updated each year to reflect changes such as:

- (i) the identification of each Parcel; (ii) the Special Assessment for each 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 Special Assessment is payable in installments); and (iv) payments of the Special Assessment, if any, as provided by Section VI.G of the Updated Service and Assessment Plan.

The summary of updated Assessment Rolls is shown in Appendix B, Appendix C, and Appendix D 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.

I. PARCEL UPDATES

Improvement Area #1

Upon the subdivision of any Improvement Area #1 Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Assessment for the Improvement Area #1 Assessed Property prior to the subdivision among the new subdivided Lots according to the following formula below:

RESIDENTIAL $A = (B \times C)/D$

Where the terms have the following meanings:

A = the Special Assessment for the new subdivided Parcel

B = the Special Assessment for the Improvement Area #1 Assessed Property prior to subdivision

$$C = [(a \div b) * c] + [(d \div e) * f]$$

a = the sum of the Residential Allocated Appraised Values of all the new subdivided residential Lots with the same Lot Type

b = the Appraised Value for the Improvement Area #1 Assessed Property prior to subdivision

c = Weight for the ratio of the appraised value = 20%

d = the sum of the number of residential Lots for the new subdivided Improvement Area #1 Assessed Property with the same Lot Type

e = the sum of the estimated number of residential Lots for the Improvement Area #1 Assessed Property prior to subdivision

f = Weight for the ratio of the estimated residential Lots = 80%

D = the number of residential Lots with same Lot Type.

According to the Developer and Ellis CAD records, 88 residential Lots – Oasis #1 were subdivided for 2021 from Parcel 262134.

The total outstanding Special Assessment allocated to parent Parcel 262134 was \$683,916 prior to subdivision. A total of 88 Lots were subdivided from parent Parcel 262134. The outstanding Assessment amount of \$683,916 initially allocated to parent Parcel 262134 is reallocated to the subdivided Parcels based on the weighting factors calculated for each Lot Type as shown in Table D-I-1 below.

Table D-I-1
Special Assessment Reallocation – Parcel 262134

| Parcel | Lot Type | No. of Units | Calculated Weight | Total Assessment Allocated | Assessment per Unit |
|--------------|----------|--------------|-------------------|----------------------------|---------------------|
| Various | 60 Ft | 57 | 64.77% | \$433,179 | \$7,600 |
| Various | 70 Ft | 18 | 20.45% | \$142,445 | \$7,914 |
| Various | 75 Ft | 3 | 3.41% | \$24,586 | \$8,195 |
| Various | 80 Ft | 10 | 11.36% | \$83,706 | \$8,371 |
| Total | | 88 | 100% | \$683,916 | |

According to the Developer and Ellis CAD records, 100 residential Lots – Haven #2 were subdivided for 2021 from Parcels 190002 and 262138.

The total outstanding Special Assessment allocated to parent Parcels 190002 and 282309 were \$85,629 and \$203,648, respectively, resulting in an aggregate outstanding Special Assessment amount of \$289,277 prior to subdivision. A total of 100 Lots were subdivided from parent Parcels 190002 and 282309 for 2021. The outstanding Assessment amount of \$289,277 initially allocated to parent Parcels 190002 and 282309 is reallocated to the subdivided Parcels based on the weighting factors calculated for each Lot Type as shown in Table D-I-2 below.

Table D-I-2
Special Assessment Reallocation – 190002 and 282309

| Parcel | Lot Type | No. of Units | Calculated Weight | Total Assessment Allocated | Assessment per Unit |
|--------------|----------|--------------|-------------------|----------------------------|---------------------|
| Various | 50 Ft | 5 | 5.00% | \$16,402 | \$3,280 |
| Various | 60 Ft | 2 | 2.00% | \$5,865 | \$2,932 |
| Various | 70 Ft | 73 | 73.00% | \$209,266 | \$2,867 |
| Various | 85 Ft | 20 | 20.00% | \$57,744 | \$2,887 |
| Total | | 100 | 100.00% | \$289,277 | |

Improvement Area #2 and Improvement Area #3

Upon the subdivision of any Improvement Area #2 Assessed Property and/or Improvement Area #3 Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Special Assessment for the Improvement Area #2 Assessed Property and/or Improvement Area #3 Assessed

Property prior to the subdivision among the new subdivided Lots based on estimated buildout value according to the following formula below:

RESIDENTIAL $A = [B \times (C \div D)]/E$

Where the terms have the following meanings:

- A = the Special Assessment for the new subdivided Lot
- B = the Special Assessment for the Improvement Area #2 Assessed Property and/or Improvement Area #3 Assessed Property prior to subdivision
- C = the sum of the estimated buildout value of all newly subdivided Lots with the same Lot Type
- D = the sum of the estimated buildout value for all newly subdivided Lots excluding Non-Benefitted Property
- E = the number of Lots with same Lot Type.

The Assessments reallocated to each of the newly subdivided Lots are shown in the Improvement Area #2 Assessment Roll and Improvement Area #3 Assessment Roll summary included herein as Appendix C and Appendix D, respectively.

II. PREPAYMENT OF SPECIAL ASSESSMENTS

There have been no Special Assessment prepayments as of July 31, 2022.

The list of current Parcels within the PID, the tract numbers, the planned land use, the corresponding outstanding Special Assessments, and Annual Installments are shown in the Assessment Roll summaries attached hereto as Appendix B, Appendix C, and Appendix D.

The complete Assessment Roll is available for review at Waxahachie City Hall, located at 401 S. Rogers Street, Waxahachie, Texas 75165.

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APPENDIX A
PID MAP

APPENDIX B
IMPROVEMENT AREA #1
2022-23 ASSESSMENT ROLL SUMMARY

APPENDIX C
IMPROVEMENT AREA #2
2022-23 ASSESSMENT ROLL SUMMARY

APPENDIX D
IMPROVEMENT AREA #3
2022-23 ASSESSMENT ROLL SUMMARY

APPENDIX E
PID ASSESSMENT NOTICE

PID Assessment Notice

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT ASSESSMENT TO
THE CITY OF WAXAHACHIE, 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 Waxahachie, 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 North Grove 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 150, 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