

**SUTTON FIELDS EAST
PUBLIC IMPROVEMENT DISTRICT**

CITY OF CELINA, TEXAS

**ANNUAL SERVICE PLAN UPDATE
(ASSESSMENT YEAR 9/1/22 - 8/31/23)**

**AS APPROVED BY CITY COUNCIL ON:
AUGUST 9, 2022**

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT

ANNUAL SERVICE PLAN UPDATE (ASSESSMENT YEAR 9/1/22 – 8/31/23)

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I. INTRODUCTION

The Sutton Fields East Public Improvement District (the “PID”) was created pursuant to the PID Act and Resolution No. 2021-96R of the City Council on October 12, 2021, to finance certain public improvement projects for the benefit of the property in the PID.

A service and assessment plan dated January 11, 2021 (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 Chapter 372 of the Texas Local Government Code, as amended (the “PID Act”), the Service and Assessment Plan must be reviewed and updated annually for the purpose of determining the annual budget for the Authorized Improvements. This document is the annual update of the Service and Assessment Plan for 2022-23 (the “Annual Service Plan Update”).

On January 11, 2022, the City approved issuance of the City of Celina, Texas Special Assessment Revenue Bonds, Series 2022 (Sutton Fields East Public Improvement District Phase #1 Project) (the “Phase #1 Bonds”) in the aggregate principal amount of \$8,060,000 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. In addition, reimbursement obligations for the Phase #1 Reimbursement Agreement in the aggregate principal amount of \$1,100,000 are secured by Assessments.

The City also adopted an assessment roll for the PID attached as Appendix G to the Service and Assessment Plan (the “Assessment Roll”) identifying the Assessments on each Parcel of Assessed Property, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Roll for 2022-23.

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 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 purchaser 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

Phase #1 Sources and Uses

Pursuant to the original Service and Assessment Plan adopted on January 11, 2021, the initial total estimated costs of the Authorized Improvements, excluding Phase #1 Bond issuance costs, were equal to \$7,471,074. According to draw requisition #6 most recently approved by the City on July 13, 2022, the initial estimated costs of the Authorized Improvements have not changed.

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

Table II-A-1
Sources and Uses – Phase #1

Sources of Funds	Initial Estimated Budget ¹	Budget Revisions	Updated Budget	Amount Spent to Date ²	Amount Needed to Complete
Par amount (Phase #1 Bonds)	\$8,060,000	\$0	\$8,060,000	\$2,436,457	\$5,623,543
Assessment amount (Phase #1 Reimbursement Agreement)	\$1,100,000	\$0	\$1,100,000	\$0	\$1,100,000
Plus: Original Issue Discount	(\$4,013)	\$0	(\$4,013)	\$0	(\$4,013)
Other funding sources	\$27,730	\$0	\$27,730	\$0	\$27,730
Total Sources	\$9,183,717	\$0	\$9,183,717	\$2,436,457	\$6,747,260
Uses of Funds					
<i>Authorized Improvements</i>					
Roadway improvements	\$1,777,930	\$0	\$1,777,930	\$0	\$1,777,930
Water improvements	\$753,000	\$0	\$753,000	\$0	\$753,000
Sanitary sewer improvements	\$829,945	\$0	\$829,945	\$0	\$829,945
Storm drainage improvements	\$1,730,660	\$0	\$1,730,660	\$0	\$1,730,660
Other soft and miscellaneous costs	\$2,379,539	\$0	\$2,379,539	\$723,814	\$1,655,725
<i>Subtotal: Authorized Improvements</i>	<i>\$7,471,074</i>	<i>\$0</i>	<i>\$7,471,074</i>	<i>\$723,814</i>	<i>\$6,747,260</i>
<i>Bond Issuance Costs</i>					
Cost of issuance	\$441,000	\$0	\$441,000	\$441,000	\$0
Capitalized interest	\$495,456	\$0	\$495,456	\$495,456	\$0
Reserve fund	\$489,388	\$0	\$489,388	\$489,388	\$0
Administrative Expense	\$45,000	\$0	\$45,000	\$45,000	\$0
Underwriter's discount	\$241,800	\$0	\$241,800	\$241,800	\$0
<i>Subtotal: Bond Issuance Costs</i>	<i>\$1,712,643</i>	<i>\$0</i>	<i>\$1,712,643</i>	<i>\$1,712,643</i>	<i>\$0</i>
Total Uses	\$9,183,717	\$0	\$9,183,717	\$2,436,457	\$6,747,260

1 – According to draw requisition #6 approved by the City on July 13, 2022.

Phase #1 Cost Variances

As shown in Table II-A-1 above, there have no significant increases to the costs of the Authorized Improvements.

B. FIVE YEAR SERVICE PLAN

According to the PID Act, a service plan must cover a period of five years. Based upon the actual budget for the Authorized Improvements as shown in Section II.A. of this report, the Annual Installments expected to be collected for those costs during the next five years is shown in Table II-B-1 below.

Table II-B-1
Projected Annual Installments (2022-2028)

Assessment Year Ending 09/01	PID Bond Projected Annual Installments
2022 ¹	\$0
2023 ¹	\$153,710
2024	\$640,164
2025	\$639,918
2026	\$640,460
2027	\$639,751
2028	\$639,831
Total	\$3,353,834

1 – Assessment Year ending 2022 represent actual Annual Installments billed. Assessment Year ending 2023 represents projected Annual Installments to be billed and includes projected available fund credits and applicable TIRZ credits, if any. Assessment Years 2024-2028 represent projected future Annual Installments and will be updated in future annual service plan updates.

C. STATUS OF DEVELOPMENT

According to the Final Limited Offering Memorandum for the Phase #1 Bonds, the infrastructure is anticipated to be completed by the first quarter of 2025.

According to the City, there have been no building permits nor certificates of occupancy issued as of June 30, 2022.

See Table II-C-1 on the following page for the status of completed homes in the PID as of June 30, 2022.

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

Phase	Completed as of June 30, 2022¹	Total Homes Projected to be Developed²	Percentage of Completed Homes
Phase #1	0	245	0.00%

1 – Information provided by the City as of June 30, 2022.

2 – According to the Service and Assessment Plan.

D. ANNUAL BUDGET – PHASE #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 (30) annual installments of principal and interest beginning with the tax year following the issuance of the Phase #1 Bonds and/or execution of the Phase #1 Reimbursement Agreement, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Phase #1 Bonds commencing with the issuance of the Phase #1 Bonds. The effective interest rate on the Phase #1 Bonds is 3.94 percent for 2022-23 and the interest rate applicable to the Phase #1 Reimbursement Agreement is 4.41 percent per annum 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 effective interest rate on the Phase #1 Bonds (3.94 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, or any other party designated by the City, in 2022 and will be delinquent on February 1, 2023.

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 2022-23, 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, such as the Tax Increment Reinvestment Zone No. 14 (the “TIRZ”) incremental taxes available to the PID (the “TIRZ Credit”), 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 Phase #1 Bonds and Phase #1 Reimbursement Agreement 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

Reserve and Delinquency Reserve amounts as described in the Service and Assessment Plan and applicable Indenture of Trust.

Annual Installments to be Collected for 2022-23

The budget for Phase #1 of the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown by Table II-D-1 below.

Table II-D-1
Budget for the Phase #1 Annual Installments
to be Collected for 2022-23

	<u>Phase #1 Bonds</u>	<u>Phase #1 Reimbursement Agreement</u>	<u>Net Annual Installments</u>
Interest payment on March 1, 2023	\$158,687	\$24,255	\$182,942
Interest payment on September 1, 2023	\$158,687	\$24,255	\$182,942
Principal payment on September 1, 2023	\$0	\$19,000	\$19,000
<i>Subtotal debt service payments</i>	<i>\$317,374</i>	<i>\$67,510</i>	<i>\$384,884</i>
Administrative Expenses	\$40,388	\$5,512	\$45,900
Excess Interest for Reserves	\$40,300	\$0	\$40,300
<i>Subtotal Expenses</i>	<i>\$357,762</i>	<i>\$73,022</i>	<i>\$471,084</i>
Available TIRZ Credit	\$0	\$0	\$0
Available Reserve Fund Income	\$0	\$0	\$0
Available Capitalized Interest Account	(\$317,374)	\$0	(\$317,374)
Available Administrative Expense account	\$0	\$0	\$0
<i>Subtotal funds available</i>	<i>(\$317,374)</i>	<i>\$0</i>	<i>(\$317,374)</i>
Annual Installments	\$40,388	\$73,022	\$153,710

Debt Service Payments

Annual Installments to be collected for principal and interest include Phase #1 Bond interest due on March 1, 2023 in the amount of \$158,687 and on September 1, 2023 in the amount of \$158,687, which equal interest on the outstanding Phase #1 Bond portion of Phase #1 Assessments balance of \$8,060,000 for six months each and an effective interest rate of 3.94 percent. There is no Phase #1 principal due to be collected for 2022-23. As a result, the principal and interest due for the Phase #1 Bonds in 2022-23 is estimated to be equal to \$317,374.

Additionally, Annual Installments to be collected for principal and interest include Phase #1 Reimbursement Agreement interest due on March 1, 2023 in the amount of \$24,255 and on September 1, 2023 in the amount of \$24,255, which equal interest on the outstanding Phase #1 Reimbursement Agreement portion of Phase #1 Assessments balance of \$1,100,000 for six months each and an effective interest rate of 4.41 percent. Phase #1 Annual Installments to be collected include a principal amount of \$19,000 due on September 1, 2023. As a result, total principal and interest due for the Phase #1 Reimbursement Agreement in 2022-23 is estimated to be equal to \$67,510.

Administrative Expenses

Administrative expenses for Phase #1 include the City, Administrator, Trustee, dissemination agent, and contingency fees. As shown in Table II-D-2 below, the administrative expenses to be collected for 2022-23 are estimated to be \$45,900.

Table II-D-2
Phase #1 Administrative Budget – 2022-23

Description	2022-23 Estimated Budget
City	\$5,000
PID Administrator	\$30,000
Trustee	\$2,500
Dissemination Agent	\$3,500
Audit	\$1,000
Contingency	\$3,900
Total	\$45,900

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments are to be collected for excess interest for prepayment and delinquency reserves in the amount of \$40,300, which equals 0.5 percent interest on the outstanding Phase #1 Bond portion of outstanding Phase #1 Assessment balance of \$8,060,000.

Available TIRZ Credit

According to the City, there have been no TIRZ increments collected in 2021 that are available to be used as TIRZ Credit in 2022-23 for the respective Parcels within Phase #1. The TIRZ Credit amount to be allocated is based upon the amount of TIRZ increment generated by each Parcel within Phase #1 and each Parcel that has an outstanding Phase #1 Assessment balance as of September 1, 2022 as shown in Appendix D-2.

Available Reserve Fund Income

As of May 31, 2022, the Trustee reported that there is not a significant amount of excess reserve fund income. As a result, there is no reserve fund credit anticipated to be available to pay a portion of the Phase #1 Bonds debt service for 2022-23.

Available Capitalized Interest Account

According to Section 6.4 (c) of the Trust Indenture, \$317,374 is anticipated to be available and will be transferred to the Principal & Interest Account to fund the interest payment due March 1, 2023 in the amount of \$158,687 and the interest payment due September 1, 2023 in the amount of \$158,687.

Available Administrative Expense Account

As of May 31, 2022, the available balance for administrative expenses was \$44,124. The current balance is anticipated to be used for the payment of current year administrative expenses through January 31, 2023. As a result, there are no funds available in the Administrative Expense Fund to reduce the Phase #1 2022-23 Annual Installment.

E. ANNUAL INSTALLMENTS PER UNIT - PHASE #1

According to the Service and Assessment Plan, 245 units representing 211.17 total Equivalent Units are estimated to be built within Phase #1 of the PID.

Accordingly, the net principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$510.54 [i.e. $(\$317,374 + \$67,510 - \$317,374) \div 211.17 = \510.54] and the Administrative Expenses to be collected from each Equivalent Unit will be \$217.37 (i.e. $\$40,900 \div 211.17 = \217.37). As a result, the total Annual Installment to be collected from each Equivalent Unit within Phase #1 will be \$727.91 (i.e. $\$510.54 + \$217.37 = \$727.91$). The Annual Installment to be collected from each Parcel within Phase #1 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$727.91 by the total estimated Equivalent Units for each Parcel less the applicable TIRZ Credit shown in Appendix D-2 for each Parcel within Phase #1 of the PID.

The Annual Installment due to be collected from each Land Use Class in Phase #1 for 2022-23 is shown in Table II-E-1 below.

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

Lot Type	Annual Installment per Equivalent Unit	Equivalent Unit Factor	Annual Installment per Unit
60 FT	\$727.91	1.00	\$727.91
50 FT	\$727.91	0.83	\$606.59

1- Annual Installment per Unit amounts shown above do not include applicable TIRZ Credits for each Parcel, if any.

The list of Parcels within Phase #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 2022-23 are shown in the Assessment Roll Summary attached hereto as Appendix D-1.

F. BOND REDEMPTION RELATED UPDATES

Phase #1 Bonds

The Phase #1 Bonds were issued in January 2022. Pursuant to Section 4.3 of the Indenture of Trust, the City reserves the right and option to redeem the Phase #1 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after **September 1, 2031**, 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 Phase #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.

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III. UPDATE OF THE ASSESSMENT PLAN

The Service and Assessment Plan adopted by the City Council provided that the costs of the Authorized Improvements shall be allocated to the Assessed Property equally on the basis of the Equivalent Units 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.

This method of assessing property has not been changed, except for the additional clarifying provisions above, 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:

- (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.H of the Service and Assessment Plan.

The Assessment Roll Summary is shown in Appendix G of the Service and Assessment Plan. 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.

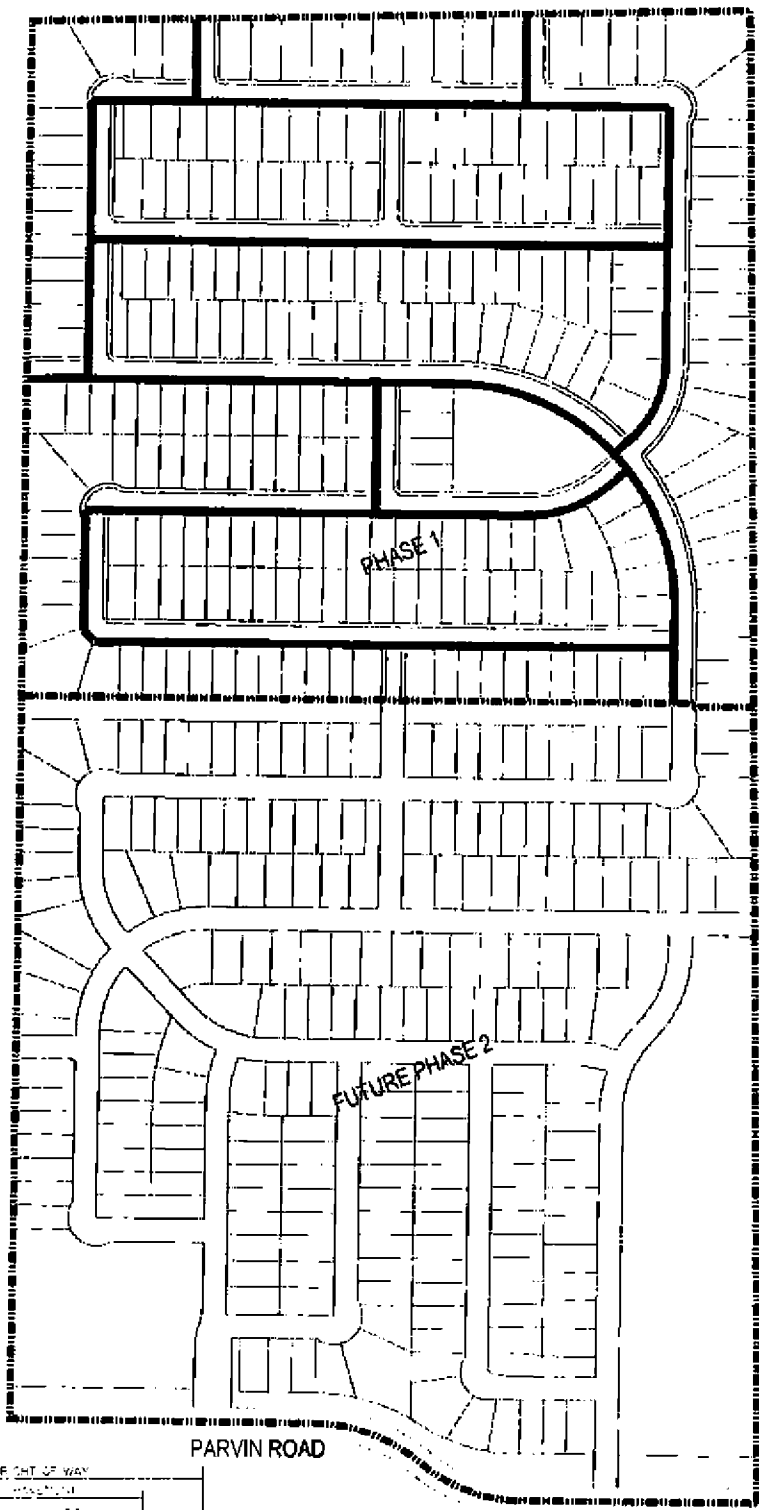
B. PREPAYMENT OF ASSESSMENTS

According to the Trustee as of June 30, 2022, there have no prepayments of Assessments for any Parcels within the PID.

For additional prepayment related information, see Appendix B of this report.

The complete Assessment Rolls are available for review at the City Hall, located at 142 N. Ohio, Celina, Texas 75009.

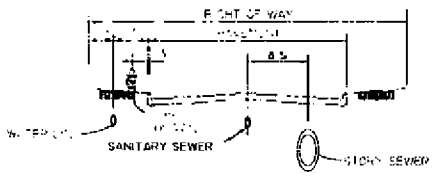
APPENDIX A
PID MAP



PHASE 1

FUTURE PHASE 2

PARVIN ROAD



TYPICAL SEWER LOCATION
N.T.C.

— WATER LINE



PHASE 1 WATER IMPROVEMENTS
SUTTON FIELDS EAST PUBLIC IMPROVEMENT DISTRICT
CELINA ETJ, DENTON COUNTY, TEXAS



APPENDIX B
PREPAID PARCELS

Appendix B
Prepaid Parcels

As of June 30, 2022, there have been no prepayment of Assessments for any Parcel within the PID.

APPENDIX C
ASSESSED VALUE BY PHASE

Appendix C
Sutton Fields East Public Improvement District
2022 Preliminary Assessed Value per Phase

Phase	Parcels	2022 Preliminary Assessed Value¹
Phase #1 ¹	1	\$10,017
Total	1	\$10,017

¹Parcel preliminary assessed values are in accordance with Denton Central Appraisal District online records as of July 20, 2022. Preliminary assessed value reflects an approximate 55.83% allocation of Parcel 52714's 20222 preliminary assessed value, which represents the approximate percentage of Parcel 52714's acreage located within Phase #1 of the PID.

APPENDIX D-1
PHASE #1 ASSESSMENT ROLL – 2022-23

Appendix D-1
Phase #1 Assessment Roll - 2022-23

Parcel	Lot Type	Total Initial Equivalent Units	Outstanding Equivalent Units	Outstanding Assessments	Principal	Interest	Excess Interest for Reserves	Administrative Expenses	TIRZ Credit	Annual Installment
52714	Various	211.17	211.17	\$9,160,000	\$19,000.00	\$48,510.00	\$40,300.00	\$45,900.00	\$0.00	\$153,710.00
Total		211.17	211.17	\$9,160,000	\$19,000.00	\$48,510.00	\$40,300.00	\$45,900.00	\$0.00	\$153,710.00

APPENDIX D-2
PHASE #1 TIRZ CALCULATION

Appendix D-2
Phase #1 TIRZ Calculation

Parcel	Base Year Taxes Paid	2021 Taxes Paid	2021 Tax Increment	2022-23 TIRZ Credit Revenue	2022-23 TIRZ Credit
52714	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

APPENDIX E
PID ASSESSMENT NOTICE

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