

## OFFICIAL STATEMENT DATED MAY 22, 2023

*IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.*

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**NEW ISSUE - Book-Entry- Only**

**Underlying Rating: Moody's: "Baa3"**

**See "MUNICIPAL BOND RATING" herein**

**\$5,575,000**

### **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

*(A non-profit local government corporation acting on behalf of Fort Bend County, Texas)*

### **CONTRACT REVENUE ROAD BONDS, SERIES 2023**

**Dated: June 1, 2023**

**Due: September 1, as shown on the inside cover**

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar," "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from June 1, 2023 and is payable on March 1, 2024 (nine months of interest) and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown on the inside cover page hereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

The Bonds are being issued pursuant to the terms and conditions of a Bond Resolution approved by the Board of Directors (the "Board") of the East Fort Bend County Development Authority (the "Authority") on May 22, 2023 (the "Bond Resolution") and a contract dated as of October 19, 2016, as amended on February 13, 2023 (together, the "Defined Area Financing Agreement") between the Authority and Fort Bend County Water Control and Improvement District No. 2 ("WCID 2"). Under the Defined Area Financing Agreement, the Authority has agreed to finance the cost of certain public improvements to serve a 192 acre area within the boundaries of WCID 2 (the "Defined Area"), and WCID 2 has agreed to make annual payments of certain tax collections (the "Defined Area Tax Payments") to the Authority.

The Authority previously issued its Contract Revenue Road Bonds, Series 2020 in the aggregate principal amount of \$4,620,000, of which \$4,320,000 in principal amount is currently outstanding and its Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2022 in the aggregate principal amount of \$6,900,000, of which all principal amounts remains outstanding (together, the "Outstanding Bonds"). In the resolutions under which the Authority issued the Outstanding Bonds (together, the "Prior Bond Resolution"), the Authority pledged the Defined Area Tax Payments and all money required to be deposited to the Pledged Revenue Fund (the "Pledged Revenues") on an equal and ratable basis to payment of the Outstanding Bonds and any additional series of bonds issued by the Authority that meets the conditions set forth in the Prior Bond Resolution. The Bonds meet such conditions and are issued on a parity with the Outstanding Bonds. The Outstanding Bonds, the Bonds, and any subsequently issued parity bonds are referred to herein as "Contract Revenue Bonds." See "SECURITY AND SOURCE OF PAYMENT." The Bonds are subject to certain investment risks described herein. See "RISK FACTORS."

**The Bonds are limited obligations solely of the Authority, payable solely from the Pledged Revenues. The Bonds are obligations of the Authority and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or a loan of credit of the State of Texas, Fort Bend County, the City of Stafford, WCID 2 or any entity other than the Authority. The Bonds are subject to special investment risks described herein. See "RISK FACTORS."**

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**See Maturities, Principal Amounts, Interest Rates,  
Initial Reoffering Yields, and CUSIPs on the inside cover**

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The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the Authority and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain other matters will be passed upon on behalf of the Authority by Norton Rose Fulbright US LLP, Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about June 20, 2023.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,  
INITIAL REOFFERING YIELDS, AND CUSIPS**

**\$2,090,000 Serial Bonds**

<u>Due Sept. 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield<sup>(a)</sup></u>	<u>CUSIP Number<sup>(b)</sup></u>
2024	\$ 135,000	5.000%	4.000%	272236 BW9
2025	180,000	5.000%	4.000%	272236 BX7
2026	190,000	5.000%	4.000%	272236 BY5
2027	195,000	5.000%	4.000%	272236 BZ2
2028	205,000	5.000%	4.000%	272236 CA6
2029	220,000	4.000%	4.000%	272236 CB4
2030	220,000 <sup>(c)</sup>	4.000%	4.000%	272236 CC2
2031	235,000 <sup>(c)</sup>	4.000%	4.050%	272236 CD0
2032	250,000 <sup>(c)</sup>	4.000%	4.100%	272236 CE8
2033	260,000 <sup>(c)</sup>	4.000%	4.150%	272236 CF5

**\$3,485,000 Term Bonds**

**\$565,000 Term Bond due September 1, 2035<sup>(c)(d)</sup>, 4.250% Interest Rate, 4.300% Yield<sup>(a)</sup>, CUSIP Number 272236 CH1<sup>(b)</sup>**

**\$615,000 Term Bond due September 1, 2037<sup>(c)(d)</sup>, 4.250% Interest Rate, 4.400% Yield<sup>(a)</sup>, CUSIP Number 272236 CK4<sup>(b)</sup>**

**\$1,060,000 Term Bond due September 1, 2040<sup>(c)(d)</sup>, 4.500% Interest Rate, 4.550% Yield<sup>(a)</sup>, CUSIP Number 272236 CN8<sup>(b)</sup>**

**\$1,245,000 Term Bond due September 1, 2043<sup>(c)(d)</sup>, 4.500% Interest Rate, 4.650% Yield<sup>(a)</sup>, CUSIP Number 272236 CR9<sup>(b)</sup>**

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. Accrued interest from June 1, 2023, is to be added to the price.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the purchasers of the Bonds. Neither the Authority nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on and after September 1, 2030, are subject to redemption prior to maturity at the option of the Authority, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”
- (d) The Term Bonds are subject to mandatory redemption as more fully described herein. See “THE BONDS – Redemption Provisions.”

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## **USE OF INFORMATION IN OFFICIAL STATEMENT**

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission, as amended.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. However, the Authority has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the Authority and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

### THE AUTHORITY

<i>The Issuer</i> .....	East Fort Bend County Development Authority (the “Authority”) is a non-profit local government corporation acting on behalf Fort Bend County, Texas (the “County”). See “THE AUTHORITY.”
<i>Description of Issuer</i> .....	The Authority was created by the Fort Bend County Commissioners Court on August 25, 2015, pursuant to Subchapter D of Chapter 431, Texas Transportation Code, and Article 1396-1.01 of the Texas Non-Profit Corporation Act, to aid, assist and act on behalf of the County in the performance of its governmental functions to promote, develop, encourage, and maintain transportation, employment, commerce and economic development in the County, to promote the common good and general welfare of the County, and in particular to plan, design, acquire, finance, build, and improve infrastructure to serve the Defined Area (as defined herein).
<i>WCID No. 2</i> .....	The Fort Bend County Water Control and Improvement District No. 2 (“WCID 2”) is a conservation and reclamation district created by an Order of the State Board of Water Engineers of Texas adopted on December 16, 1946 and operates in accordance with Chapters 49 and 51 of the Texas Water Code. In 2015, the 84 <sup>th</sup> Texas Legislature approved legislation (the “Enabling Act”), which designated an approximately 192 acre tract within the boundaries of WCID 2 as a defined area (the “Defined Area”) and upon approval of the qualified voters in the Defined Area, authorized WCID 2 to exercise its taxing power in the Defined Area to provide money to construct, administer, maintain and operate services, improvements and facilities that primarily benefit the Defined Area.
<i>The Defined Area</i> .....	The Defined Area established pursuant to the Enabling Act consists of approximately 192 acres. The Defined Area was created to finance public improvements that primarily benefit the Defined Area, including water, sewer, drainage, park and recreational facilities and road improvements (the “Public Improvements”), through taxes paid by property owners in the Defined Area. See “SECURITY AND SOURCE OF PAYMENT—The Defined Area Tax.”
<i>Project and Financing Plan</i> .....	The Defined Area is being developed as a commercial and multi-family residential development known as “The Grid” (the “Project”) on the site of the former Texas Instruments campus located approximately 15 miles southwest of the central business district of the City of Houston, east of U.S. Highway 59 between Kirkwood Road and West Airport Boulevard. The Project lies

wholly within the corporate limits of the City of Stafford, Texas (the “City”) and the boundaries of Fort Bend Independent School District. See “AERIAL PHOTOGRAPH.” The Authority and WCID 2 approved the Amended and Restated Defined Area Financing Agreement, effective as of October 19, 2016, as amended by that First Amendment to Defined Area Financing Agreement, effective as of February 13, 2023 (together, the “Defined Area Financing Agreement”), which sets forth the Public Improvements required to serve the Project within the Defined Area. The costs associated with the Public Improvements (the “Public Improvement Costs”) are expected to be financed through the issuance by the Authority of Contract Revenue Bonds (defined herein), including the Bonds.

*Status of Development*..... Development of the Project began in 2018. Taxable improvements have been constructed on tracts totaling approximately 122.9 acres. Currently, taxable improvements consist of an approximately 148,000 square foot Costco Business Center; an approximately 34,525 square foot 700 Valve Supply valve distribution facility; an approximately 26,775 square foot Chaoda USA valve distribution facility; an approximately 34,100 square foot Cortland Limited rope distribution facility; an approximately 20,000 square foot SLG Lighting distribution facility; an approximately 62,000 square foot QRC valve distribution facility; an approximately 45,410 square foot Matrix Metals steel components distribution facility; an approximately 37,000 square foot Mester Lighting distribution facility; an approximately 38,000 square foot Jackson Supply Company distribution facility for HVAC equipment; an approximately 54,000 square foot NTB tire distribution facility, and an approximately 33,000 square foot Kelsey-Seybold Clinic.

Multiple stand-alone commercial and retail businesses, including Torchy’s Tacos, Raisin’ Canes, In-N-Out Burger, Whiskey Cake Kitchen & Bar, Outback Steakhouse, Pluckers Wing Bar, Panda Express, Verizon, Chipotle Mexican Grill, McAlister’s Deli, Great Clips, My Eyelab, Amegy Bank, and Refine Dentistry, have been developed within the Project.

The Project also contains a 380-unit apartment complex, a 346-unit apartment complex, and an additional 350-unit apartment complex and 362-unit apartment complex that are currently under construction.

The Defined Area also contains approximately 71 acres of undeveloped land and approximately 12 acres that are contained in street right-of-ways, easements, and utility sites. See “THE PROJECT—Status of Development.”

*The Developer* ..... Stafford 59 & Airport LP, a Texas limited partnership (the “Developer”) was formed for the sole purpose of acquiring and developing land in the Defined Area. It currently owns approximately 88 undeveloped acres in the Defined Area. Development activities are conducted by 3MEBS Property Company, LLC, a Dallas-based development company informally

doing business as StreetLevel Investments, whose principals are also the principals of the general partner and limited partner of the Developer. The Developer has advanced funds to the Authority to construct certain public facilities to serve the Defined Area (the “Facilities”) pursuant to the terms of a Development Financing and Reimbursement Agreement, dated as of September 28, 2015, between the Authority and 3MEBS Property Company LLC, which is being assigned to the Developer (the “Developer Reimbursement Agreement”). See “THE DEVELOPER,” “PRINCIPAL PROPERTY OWNERS” and “TAX DATA FOR THE DEFINED AREA—Principal Taxpayers.”

*Principal Property Owners* ..... The ten principal taxpayers represented \$270,145,452 or 86.40% of the 2022 Certified Taxable Assessed Valuation of the Defined Area. See “RISK FACTORS – Dependence on Principal Taxpayers and the Developer,” “TAX DATA FOR THE DEFINED AREA—Principal Taxpayers” and “TAX PROCEDURES FOR THE DEFINED AREA—Valuation of Property for Taxation.”

## THE FINANCING

*The Issue*..... \$5,575,000 Contract Revenue Road Bonds, Series 2023 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the Authority’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from June 1, 2023 and is payable on March 1, 2024 (nine months of interest), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”

*Redemption*..... The Bonds maturing on and after September 1, 2030, are subject to redemption at the option of the Authority, in whole or from time to time in part, prior to their maturity dates, on September 1, 2029, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds (defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Book-Entry-Only System* ..... The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

*Use of Proceeds*..... Proceeds from the sale of the Bonds will be used for the purpose of (i) paying Public Improvement Costs consisting of road



improvements; (ii) funding the Road Debt Service Reserve Fund Requirement (as defined herein); and (iii) paying the costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

*Authority for Issuance* ..... The Bonds are the third series of bonds issued by the Authority pursuant to the terms of the Defined Area Financing Agreement. The Authority is authorized by Chapter 431 of the Texas Transportation Code, the Texas Non-Profit Corporation Act, and its certificate of formation and bylaws to issue bonds for the purpose of paying for Public Improvements to serve the Defined Area, including water, sewer, and drainage facilities, recreational facilities, and road improvements.

The Bonds are issued pursuant to the terms and conditions of the Defined Area Financing Agreement; a resolution of the Board of Directors of the Authority (the “Bond Resolution”); Article III, Sections 52 and 52-a and Article VIII, Section 1-g of the Texas Constitution; and the general laws of the State of Texas. See “THE BONDS—Authority for Issuance.”

*Outstanding Bonds and Payment Record*.... The Authority has issued two previous series of bonds: the East Fort Bend County Development Authority Contract Revenue Road Bonds, Series 2020, issued in the aggregate principal amount of \$4,620,000, of which \$4,320,000 is currently outstanding, and its Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2022 in the aggregate principal amount of \$6,900,000, of which all principal amounts remains outstanding (together, the “Outstanding Bonds”). The Authority has not defaulted in the timely payment of principal or interest on Outstanding Bonds.

*Future Debt* ..... The Authority has reserved the right to issue Additional Parity Bonds (as defined herein) to finance water, sewer and drainage facilities, road improvements, or recreational facilities pursuant to the Defined Area Financing Agreement. See “RISK FACTORS—Future Debt” and “THE BONDS—Issuance of Additional Debt.”

*Qualified Tax-Exempt Obligations*..... The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

*Municipal Bond Rating* ..... Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “Baa3” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody’s will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Initial Purchaser. See “MUNICIPAL BOND RATING.”

*Bond Counsel* ..... Allen Boone Humphries Robinson LLP, Houston, Texas.

*Disclosure Counsel* ..... Norton Rose Fulbright US LLP, Houston, Texas.

<i>Co-Financial Advisors</i> .....	Post Oak Municipal Advisors LLC, Houston, Texas, and Hilltop Securities Inc., Houston Texas.
<i>Engineer</i> .....	Klotz Associates, Inc. (d/b/a RPS Group).

## SOURCE OF AND SECURITY FOR PAYMENT

<i>Defined Area Tax Payments</i> .....	At an election held within the Defined Area, the electors approved the Defined Area Financing Agreement and the levy of an unlimited ad valorem tax on all taxable property within the Defined Area to make payments thereunder (the “Defined Area Tax”). Under the Defined Area Financing Agreement, WCID 2 has agreed to annually levy, assess, and collect the Defined Area Tax and to annually remit to the Authority an amount equal to the revenues actually collected and received by WCID 2 from the Defined Area Tax (the “Defined Area Tax Payments”).
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<i>Security and Source of Payment</i> .....	The Bond Resolution provides that the Authority will deposit the Defined Area Tax Payments into a pledged revenue fund, which will be kept separate and apart from other Authority funds (the “Pledged Revenue Fund”). The Authority has pledged the Defined Area Tax Payments and all monies required to be deposited into the Pledged Revenue Fund (the “Pledged Revenues”) to the payment of the Outstanding Bonds, the Bonds and any Additional Parity Bonds permitted to be issued pursuant to the terms of the Bond Resolution on an equal and ratable basis. See “THE BONDS—Funds” for the permitted uses of the Pledged Revenues.
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Since WCID 2 only remits to the Authority the revenues it actually receives from the Defined Area Tax, the amount of the annual payment to the Authority depends on WCID 2’s ability to collect the Defined Area Tax from taxpayers within the Defined Area. See “SECURITY AND SOURCE OF PAYMENT.” **District-wide taxes levied by WCID 2 are not available to pay debt service on the Bonds.**

<i>Establishment of Funds and</i>	The Authority may issue three types of Contract Revenue Bonds: bonds to finance water, sewer and drainage facilities (“WSD Contract Revenue Bonds”), bonds to finance road improvements (“Road Contract Revenue Bonds”), such as the Bonds, and bonds issued to finance parks and recreational facilities (“Park Contract Revenue Bonds”). To date, the Authority has not issued Park Contract Revenue Bonds. See “FINANCIAL STATEMENT (UNAUDITED) – Outstanding Bonds” for information regarding the types and amounts of Contract Revenue Bonds outstanding. Each type of Contract Revenue Bond has its own Debt Service Fund, Debt Service Reserve Fund, Capital Projects Fund, and Surplus Fund, which are required to be maintained separately. See “SELECTED FINANCIAL INFORMATION.”
<i>Permitted Transfers from the Pledged Revenue Fund</i>	

Each year the Authority will allocate the money in the Pledged Revenue Fund proportionately among the WSD Contract Revenue Bonds, Road Contract Revenue Bonds and Park Contract Revenue Bonds (each a “Class of Bonds”) based on the ratio of the Class of Bonds’ total annual debt service requirements for the succeeding year to the total annual debt service requirements of all Contract Revenue Bonds. The money allocated to the Road Contract Revenue Bonds will be used as follows: (i) the amount needed to fund debt service on the Road Contract Revenue Bonds for the calendar year in which the Defined Area Tax Payments are received will be transferred to the Road Debt Service Fund, (ii) the amount necessary to make the amount on deposit in the Road Debt Service Reserve Fund equal to the Road Debt Service Reserve Fund Requirement will be transferred to the Road Debt Service Reserve Fund, (iii) fees and expenses of the Paying Agent/Registrar for the current fiscal year will be paid, (iv) the amount needed to fund any account created for Subordinate Lien Obligations will be transferred to the account established for that purpose, and (v) the remainder will be transferred to the Road Surplus Fund, where it may be used to pay eligible improvements or other Project Costs for road facilities. The Road Debt Service Fund and the Road Debt Service Reserve Fund will be pledged to the Bonds and all additional Road Contract Revenue Bonds. See “THE BONDS—Funds.”

*Road Debt Service Reserve Fund*..... The Authority has created a Debt Service Reserve Fund for the Road Contract Revenue Bonds (the “Road Debt Service Reserve Fund”) under the Bond Resolution and will use Bond proceeds to make a cash deposit to the Road Debt Service Reserve Fund in an amount equal to the Road Debt Service Reserve Fund Requirement, which is equal to the Maximum Annual Debt Service on the Bonds. The Road Debt Service Reserve Fund will be held by the bookkeeper and used to pay principal and interest on the Road Contract Revenue Bonds when there are insufficient funds in the Road Debt Service Fund to make such payment. See “SECURITY AND SOURCE OF PAYMENT—Debt Service Reserve Fund.”

*Additional Parity Bonds* ..... The Bond Resolution provides that the Authority may issue additional bonds on a parity with the Outstanding Bonds and the Bonds upon compliance with the conditions stated therein, including a coverage test. See “SECURITY AND SOURCE OF PAYMENT—Additional Parity Bonds.”

*Limited Obligations*..... The Bonds are limited obligations of the Authority, payable solely from the Pledged Revenues. The Bonds are obligations of the Authority and do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation or loan of credit of WCID 2, the City, the County, the State of Texas, or any other municipality, county or other municipal or political corporation or subdivision of the State of Texas. None of WCID 2,

the City, the County, or the State of Texas is obligated to make payments on the Bonds.

#### RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment risks and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, particularly the section captioned "RISK FACTORS."

## SELECTED FINANCIAL INFORMATION

2022 Certified Taxable Assessed Valuation of the Defined Area.....	\$312,682,784 (a)
Gross Debt Outstanding (after issuance of the Bonds).....	\$16,795,000
Estimated Overlapping Debt.....	<u>13,922,380 (b)</u>
Gross Debt and Estimated Overlapping Debt.....	\$30,717,380
Ratio of Gross Debt to:	
2022 Certified Taxable Assessed Valuation of the Defined Area.....	5.37%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2022 Certified Taxable Assessed Valuation of the Defined Area.....	9.82%
Fund Balances Available as of April 24, 2023:	
General Fund.....	\$54,134 (c)
Defined Area Pledged Revenue Fund.....	\$1,853,264 (d)
381 Revenue Fund.....	\$822,017 (e)
Road Debt Service Fund.....	\$23,910 (f)
Road Reserve Fund.....	\$312,490 (g)
Road Capital Projects Fund.....	\$0
Road Surplus Fund.....	\$90,862
WSD Debt Service Fund.....	\$25,422 (h)
WSD Reserve Fund.....	\$389,006 (h)
WSD Capital Projects Fund.....	\$0 (h)
WSD Surplus Fund.....	\$604,522 (h)
2022 Defined Area Tax Rate.....	\$0.515 (i)
Average Annual Debt Service Requirements (2023-2043) of the Bonds and the Outstanding Bonds ("Average Requirement").....	\$1,226,884
Tax rate required to pay Average Requirement based upon:	
2022 Certified Taxable Assessed Valuation of the Defined Area at a 95% collection rate.....	\$0.42 /\$100
Maximum Annual Debt Service Requirements (2043) of the Bonds and the Outstanding Bonds ("Maximum Requirement").....	\$1,283,695
Tax rate required to pay Maximum Requirement based upon:	
2022 Certified Taxable Assessed Valuation of the Defined Area at a 95% collection rate.....	\$0.44 /\$100

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES FOR THE DEFINED AREA."
- (b) See "ESTIMATED OVERLAPPING DEBT STATEMENT FOR THE DEFINED AREA."
- (c) The Authority anticipates that the General Fund balance will continue to be funded by transfers from the 381 Revenue Fund, as needed, until the imposition by WCID 2 of an operations and maintenance tax within the Defined Area. See "TAX DATA FOR THE DEFINED AREA—Tax Rate Limitations—*Defined Area Maintenance Tax Rate*."
- (d) For so long as the Defined Area Financing Agreement is effective, WCID 2 is required to deposit the Defined Area Tax Payments into the Defined Area Pledged Revenue Fund by May 31 of the year following the year in which the Defined Area Tax is levied, and quarterly thereafter until the payment is made in full. Currently, Defined Area Tax Payments are deposited into the Defined Area Pledged Revenue Fund as they are received.
- (e) The Authority receives annual payments from the County pursuant to Chapter 381, Texas Local Government Code, for the purpose of financing certain public improvement costs within the Authority (the "County Increment"). The County Increment is not pledged as security for the Bonds.
- (f) Neither Texas law nor the Bond Resolution requires the Authority to maintain any minimum balance in the Road Debt Service Fund.
- (g) To be funded upon closing with a portion of the proceeds of the Bonds in the amount of \$459,219.19, which, together with amounts in the Road Debt Service Reserve Fund, will equal the Road Debt Service Reserve Fund Requirement. See "SECURITY AND SOURCE OF PAYMENT—Debt Service Reserve Fund."
- (h) Not pledged as security for the payment of debt service on the Bonds or any additional Road Contract Revenue Bonds.
- (i) Pursuant to the Defined Area Financing Agreement, WCID 2 has agreed to set the Defined Area Tax rate at \$0.515 per \$100 of assessed valuation. WCID 2 may not decrease the Defined Area Tax rate unless such lower rate is approved by the Authority. The Defined Area Tax rate includes only the tax levy agreed to pursuant to the Defined Area Financing Agreement. For information related to overlapping taxes imposed on the Defined Area, see "ESTIMATED OVERLAPPING DEBT STATEMENT FOR THE DEFINED AREA – Overlapping Tax Rates."

## **OFFICIAL STATEMENT**

**\$5,575,000**

### **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

*(A non-profit local government corporation acting on behalf of Fort Bend County, Texas)*

### **CONTRACT REVENUE ROAD BONDS, SERIES 2023**

This Official Statement provides certain information in connection with the issuance by East Fort Bend County Development Authority (the “Authority”) of its \$5,575,000 Contract Revenue Road Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to the Defined Area Financing Agreement, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the Authority (the “Board”), Article III, Sections 52 and 52-a and Article VIII, Section 1-g of the Texas Constitution and the general laws of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, the Defined Area Financing Agreement, and certain other information about the Authority, WCID 2, the Defined Area and the Developer. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the Authority upon payment of the costs of duplication therefor.

## **SECURITY AND SOURCE OF PAYMENT**

### **General**

The Bonds are limited obligations of the Authority payable solely from the Pledged Revenues as described herein and are not obligations of WCID 2, the City of Stafford, Texas (the “City”), Fort Bend County, Texas (the “County”), the State of Texas, or any entity other than the Authority. The Authority is not obligated to pay principal of and interest on the Bonds from monies other than the Pledged Revenues as defined herein under “—Pledged Revenues.”

### **WCID 2**

Fort Bend County Water Control and Improvement District No. 2 (“WCID 2”) is a conservation and reclamation district created by an Order of the State Board of Water Engineers of Texas adopted on December 16, 1946 and operates in accordance with Chapters 49 and 51 of the Texas Water Code. Its principal activity is to provide water and sewer services to the land within its boundaries, consisting of approximately 7,268 acres in northeast Fort Bend County. More information concerning WCID 2, including its annual financial report, may be found at [www.emma.msrb.org](http://www.emma.msrb.org). Reference to this website does not incorporate the information contained therein in this Official Statement and is dated as indicated therein.

### **The Defined Area Tax**

In 2015, the 84<sup>th</sup> Texas Legislature approved legislation (the “Enabling Act”), which designated an approximately 192 acre tract within the boundaries of WCID 2 as a defined area (the “Defined Area”) and, upon approval of the qualified voters in the Defined Area, authorized WCID 2 to exercise its taxing power in the Defined Area to provide funds to construct, administer, maintain and operate services, improvements and facilities that primarily benefit the Defined Area.

At an election held within the Defined Area, voters (i) approved the Defined Area Financing Agreement and authorized WCID 2 to levy an annual ad valorem tax unlimited in amount on all taxable property within the Defined Area to make payments under the Defined Area Financing Agreement, including payments to provide for the payment of principal and interest on bonds issued for water, sewer, and drainage facilities, recreational facilities, and road facilities (the “Defined Area Tax”) and (ii) authorized the board of directors of WCID 2 to levy and collect an operations and maintenance tax, not to exceed \$1.50 per \$100 assessed value, on all taxable property within the Defined Area to secure funds for operation and maintenance of all facilities serving the Defined Area and authorized

by Article XVI, Section 59 of the Texas Constitution. The Defined Area Tax is in addition to, and exclusive of, WCID 2's ad valorem debt service tax levied on all taxable property within WCID 2 (including the Defined Area). The Defined Area Tax may be levied for the purpose of financing public improvements consisting of certain water, sewer, and drainage facilities, road facilities, and recreational facilities, and the maintenance and repair thereof, to serve the Defined Area (the "Public Improvements").

WCID 2 has entered into an interlocal agreement with the County for the collection of the Defined Area Tax and remittance of same to the Authority.

### **The Defined Area Financing Agreement between the Authority and WCID 2**

Under the Defined Area Financing Agreement, WCID 2 is required to pay to the Authority an amount equal to the revenues actually collected and received by WCID 2 from the Defined Area Tax, exclusive of any interest and penalties paid by the taxpayers in the Defined Area and exclusive of collection costs incurred by WCID 2, by May 31 of the year following the year in which the Defined Area Tax is levied and quarterly thereafter until the amount of Defined Area Tax actually collected and received by WCID 2 for that year has been paid in full (the "Defined Area Tax Payments"). No interest or penalties may be charged to WCID 2 for any late payments. WCID 2's obligation to make the Defined Area Tax Payments continues until termination of the Defined Area Financing Agreement on December 31, 2043, unless the Defined Area Financing Agreement is terminated earlier by mutual agreement of the parties or all the Public Improvements have been completed and all the Public Improvement Costs, including the payment of debt service on the Contract Revenue Bonds, have been paid by the Authority.

According to the Defined Area Financing Agreement, the obligation of WCID 2 to pay the Defined Area Tax Payments is absolute and unconditional, and until the Defined Agreement Financing Agreement has been terminated, WCID 2 will not suspend or discontinue the Defined Area Tax Payments and will not terminate the Defined Area Financing Agreement for cause, including the failure of the Authority to perform and observe any agreement or any duty, liability or obligation arising out of or connected with the Defined Area Financing Agreement. In the event the Authority fails to perform any portion of the Defined Area Financing Agreement, WCID 2 may institute such action against the Authority as it may deem necessary to compel performance so long as this action does not abrogate the obligation of WCID 2 to pay the Defined Area Tax Payments described in the Defined Area Financing Agreement. In the event of a payment default by WCID 2, the Authority may exercise any remedy available at law or in equity.

The Defined Area Financing Agreement sets the tax rate for the Defined Area Tax at \$0.515 per \$100 of assessed valuation; however, WCID 2 may set a higher rate if the Authority notifies it that a higher rate is required to (i) prevent a default on the Contract Revenue Bonds, (ii) pay an eligible contractual obligation of the Authority, or (iii) comply with applicable law or regulatory requirements. The tax rate for the Defined Area Tax may not be decreased below \$0.515 per \$100 of assessed valuation unless a specific lower rate is approved by the Authority.

The Authority is required to deposit the Defined Area Tax Payments into a special revenue fund, which must be accounted for independently from other funds of the Authority. The Authority may issue bonds secured by Defined Area Tax Payments and the special revenue fund, and may pledge and assign all or part of the Defined Area Tax Payments and the special revenue fund pursuant to a developer financing agreement between a developer and the Authority.

The payment and the special revenue fund may only be used to fund the costs of eligible public improvements to serve the Defined Area, generally consisting of water, sewer and drainage facilities, recreational facilities and road facilities (the "Public Improvements"). Other types of public improvements constructed by the Authority are not eligible to be financed by the Defined Area Tax and the Authority agrees that it will not pledge or apply the Defined Area Tax Payments for any such purpose. The estimated preliminary cost of the Public Improvements payable from the Defined Area Tax Payments and the special revenue fund, is \$31,289,281, exclusive of debt service, cost of issuance, and interest.

The Defined Area Financing Agreement sets forth the standards for the construction of the Public Improvements. Public Improvements consisting of public water and sanitary sewer improvements meeting the requirements of WCID 2 will be accepted for ownership and maintenance by WCID 2. WCID 2 will not accept any internal private water

and sewer improvements (as determined by WCID 2). The Authority will be responsible for the maintenance of other Public Improvements, such as detention facilities.

### **Pledged Revenues and Uses of Funds**

Pledged Revenues are defined in the Bond Resolution as the Defined Area Tax Payments and all money required to be deposited into the Pledged Revenue Fund (as defined herein).

The Bond Resolution provides that the Authority will deposit the Defined Area Tax Payments into a pledged revenue fund which will be kept separate and apart from other Authority funds (the “Pledged Revenue Fund”). The Authority has pledged the Pledged Revenues to the payment of the Outstanding Bonds, the Bonds, and any Additional Parity Bonds issued by the Authority hereafter (the “Contract Revenue Bonds”) on an equal and ratable basis.

The Authority may issue three types of Contract Revenue Bonds: bonds to finance water, sewer and drainage facilities (“WSD Contract Revenue Bonds”), such as the previously issued and Outstanding WSD Contract Revenue Bonds, bonds to finance road improvements (“Road Contract Revenue Bonds”), such as the Bonds and the previously issued and Outstanding Road Contract Revenue Bonds, and bonds to finance parks and recreational facilities (“Park Contract Revenue Bonds”), and each type of Contract Revenue Bond has its own Debt Service Fund, Debt Service Reserve Fund, Capital Projects Fund, and Surplus Fund, which are required to be maintained separately. To date, the Authority has not issued any Park Contract Revenue Bonds.

Each year the Authority will allocate the money in the Pledged Revenue Fund proportionately among the WSD Contract Revenue Bonds, Road Contract Revenue Bonds and Park Contract Revenue Bonds (each a “Class of Bonds”) based on the ratio of the Class of Bonds’ total annual debt service requirements for the succeeding year to the total annual debt service requirements of all Contract Revenue Bonds.

The money allocated to the Road Contract Revenue Bonds will be used as follows: (i) the amount needed to fund debt service on the Road Contract Revenue Bonds for the calendar year in which the Defined Area Tax Payments are received will be transferred to the Road Debt Service Fund, (ii) the amount necessary to make the amount on deposit in the Road Debt Service Reserve Fund equal to the Road Debt Service Reserve Fund Requirement will be transferred to the Road Debt Service Reserve Fund, (iii) fees and expenses of the Paying Agent/Registrar for the current fiscal year will be paid, (iv) the amount needed to fund any account created for Subordinate Lien Obligations will be transferred to the account established for that purpose, and (v) the remainder will be transferred to the Road Surplus Fund, where it may be used to pay eligible improvements or other Project Costs for water, sewer and drainage facilities. The Road Debt Service Fund and the Road Debt Service Reserve Fund will be pledged to the Bonds and all additional Road Contract Revenue Bonds. See “THE BONDS—Funds.”

### **Debt Service Reserve Fund**

The Authority established a debt service reserve fund for the Road Contract Revenue Bonds and the WSD Contract Revenue Bonds in connection with issuance of each series of the Outstanding Bonds. The Road Debt Service Reserve Fund will be pledged to the Road Contract Revenue Bonds, and the WSD Debt Service Reserve Fund is pledged to the WSD Contract Revenue Bonds.

The Authority will use Bond proceeds to make a cash deposit of \$459,219.19 to the Road Debt Service Reserve Fund in an amount which, when combined with the existing balance in the Road Debt Service Reserve Fund, will equal the Road Debt Service Reserve Fund Requirement which is equal to the Maximum Annual Debt Service on the Road Contract Revenue Bonds, provided that the Road Debt Service Reserve Fund Requirement will not exceed 10% of the stated principal amount of the Road Contract Revenue Bonds or 10% of the issue price of the Road Contract Revenue Bonds if such bonds are issued with more than a de minimis amount of original issue discount. The Road Debt Service Reserve Fund will be held by the bookkeeper and used to pay principal and interest on the Road Contract Revenue Bonds when there are insufficient funds in the Road Debt Service Fund to make such payment.



### **Additional Parity Bonds**

The Authority has reserved the right to issue additional bonds payable from the Defined Area Tax Payments on a parity with the Outstanding Bonds and the Bonds (the “Additional Parity Bonds”) for any lawful purpose. Prior to issuing Additional Parity Bonds, the following conditions must be met:

- (a) the Additional Parity Bonds shall mature on, and interest shall be payable on, the same days of the year as the outstanding Contract Revenue Bonds;
- (b) the Authority certifies it is not in material default with the terms of the Bond Resolution;
- (c) WCID 2 has received from the Appraisal District taxable values meeting the requirements set forth in paragraph (d) below which show the Certified Taxable Assessed Valuation of the Defined Area which, at the Defined Area Tax rate then in existence, will generate payments under the Defined Area Financing Agreement that will be at least 125% of projected Maximum Annual Debt Service Requirements taking into account the Bonds, the Outstanding Bonds, and the Additional Parity Bonds to be issued; provided, however, that this requirement shall not apply to the issuance of any series of Additional Parity Bonds for refunding purposes that will have the result of reducing the Maximum Annual Debt Service Requirements on the Bonds; and
- (d) the Certified Taxable Assessed Valuation of the Defined Area required by paragraph (c) above may either be one or a combination of (i) a certificate of the Appraisal District showing certified values adjusted by WCID 2 for exemptions; (ii) a certificate of the Appraisal District showing estimated or preliminary values, adjusted by WCID 2 for exemptions and losses due to protests; or (iii) a projection prepared by an independent real estate appraiser.

## **RISK FACTORS**

### **General**

The Bonds, which are obligations of the Authority and not obligations of the State of Texas, Fort Bend County, the City of Stafford, WCID 2 or any other entity other than the Authority, are payable solely from and to the extent of the Defined Area Tax Payments required to be paid annually under the Defined Area Financing Agreement.

### **Exposure to Oil and Gas Industry**

Many energy companies are centered in Houston metropolitan area and have manufacturing facilities and offices there. Energy is a major driver of the Houston metropolitan economy. Any downturn in the oil and gas industry could result in declines in the demand for residential and commercial property in the Houston metropolitan area and could reduce or negatively affect property values or economic activity within the Defined Area. In the longer term, the oil and gas industry in the Houston metropolitan area may be adversely affected by governmental actions taken to reduce the use of fossil fuel and concerns about climate change.

### **Severe Weather**

The greater Houston area, including the Defined Area, is subject to occasional severe weather events, including tropical storms and hurricanes. If the Defined Area were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the Defined Area as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. To the knowledge of the Authority, no properties previously existing within the Defined Area experienced structural flooding or other damage as a result of Hurricane Harvey. Development of the Project commenced in 2018.

If a future weather event significantly damaged all or part of the improvements within the Defined Area, the assessed value of property within the Defined Area could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in Defined Area tax rate. Further, there can be no assurance that a casualty loss to taxable property within the Defined Area will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the Defined Area. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Defined Area could be adversely affected.

### **Specific Flood Type Risks**

***Ponding (or Pluvial) Flood:*** Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream of or behind a dam, levee or reservoir.

***Riverine (or Fluvial) Flood:*** Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

### **Infectious Disease Outbreak (COVID-19)**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in Texas and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishments in the State of Texas. The Governor retains the right to impose restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement. The Authority cannot predict the long-term economic effect of COVID-19 or a similar virus.

### **Dependence on Contract Payments**

The amount of contract payments made available for transfer to the Authority, consisting of the Defined Area Tax Payments, will be determined by the appraised value of taxable real property in the Defined Area, the Defined Area Tax rate, and the percentage of taxes actually collected. The Authority cannot make any guarantee that the taxable appraised value of the Defined Area will achieve or maintain any certain value. Property owners have the right to protest the appraised value of their property and are not required to render their property for ad valorem taxation at any agreed upon level. Property owners may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in the Defined Area. The appraised value of the property and improvements will be determined

and certified by the Appraisal District in accordance with the procedures described in “TAX PROCEDURES FOR THE DEFINED AREA” and may be at a value lower than projected.

If WCID 2 does not deposit the Defined Area Tax Payment, or cause the County Tax Assessor/Collector to deposit the Defined Area Tax Payment in the special revenue fund, on a timely basis, there may be insufficient funds available to pay debt service on the Bonds. There are inherent risks in relying upon receipt of contract payments from other taxing units. WCID 2 could default in its obligation to pay its annual payment to the Authority. In such case, enforcement of the Defined Area Financing Agreement would be dependent upon judicial actions, which are often subject to discretion and delay. In addition, enforcement may be limited or prohibited if WCID 2 files for bankruptcy under the Bankruptcy Code or similar state laws.

### **Dependence on Principal Taxpayers and the Developer**

Properties whose taxable values total approximately \$270,145,452 or 86.40% of the 2022 Certified Taxable Assessed Valuation of the Defined Area are owned by ten taxpayers. The Developer represents \$37,301,292 or 11.93% of the 2022 Certified Taxable Assessed Valuation of the Defined Area. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by WCID 2 will directly affect WCID 2’s ability to make contract payments to the Authority and hence for the Authority to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, WCID 2 may need to levy additional taxes for purposes of making Defined Area Tax Payments. The Authority has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the Authority’s ability to pay debt service on the Bonds on a current basis. See “Tax Collection Limitations for WCID 2” in this section, “TAX DATA FOR THE DEFINED AREA—Principal Taxpayers,” and “TAX PROCEDURES FOR THE DEFINED AREA—Levy and Collection of Taxes.”

The Developer has informed the Board that its current plan is to develop the remaining undeveloped land. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Authority makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the Defined Area to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The Authority can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See “THE DEVELOPER.”

### **Dependence on Personal Property Tax Collections**

Because a majority of the Defined Area’s 2022 tax base is comprised of commercial and distribution/warehouse/office facilities, approximately \$45,497,470 or 14.55% of the 2022 Certified Taxable Assessed Valuation of the Defined Area is personal property. See “TAX DATA FOR THE DEFINED AREA—Summary of Assessed Valuation” and “TAX PROCEDURES FOR THE DEFINED AREA—Property Subject to Taxation by WCID 2.”

Unlike real property, there is no certainty that personal property will remain in the Defined Area from year to year. Business inventories are portable and could be removed from the Defined Area at any time. Personal property removed from the Defined Area as of January 1 of any year is not subject to taxation by WCID 2 for that year.

If personal property is subject to a lien for unpaid Defined Area taxes for any year, WCID 2’s lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in WCID 2, but to any personal property then or thereafter owned by the taxpayer. However, WCID 2 may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside WCID 2 may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitations period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES FOR THE DEFINED AREA."

### **Tax Exemption Provided to Lessees of Public Facility Corporations**

As described in "TAXING PROCEDURES – Tax Exemption Provided to Lessees of Public Facility Corporations" herein, a multifamily residential development owned or leased by a Public Facility Corporation ("PFC") is exempt from ad valorem taxation by the State and any other political subdivision of the State, including the levy of the Defined Area Tax. Chapter 303 of the Texas Local Government Code (the "PFC Act"), does not require any notice to, or consent by, any taxing jurisdictions that may be impacted by such exemption prior to the exemption being implemented. This tax-exempt lease structure has been utilized by the Houston Housing Authority for the creation of affordable multifamily apartments in the greater Houston area, both through the development of new apartment projects and the acquisition of existing (and previously taxable) apartment projects. The Authority is not aware of any public facilities located within the boundaries of the Defined Area that are either owned or leased by a PFC. The Authority makes no representations or predictions regarding whether future public facilities will be created or established within the Authority's boundaries by a Sponsor (as defined herein) pursuant to the PFC Act.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the Defined Area results from the current market value of property used for commercial, retail, and industrial purposes. The market value of such properties is related to general economic conditions in the Fort Bend County area, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for property of this type and the construction of structures thereon can be significantly affected by factors such as interest rates, credit availability (see "Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of commercial property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the Defined Area or could adversely impact such values.

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of development funding have a direct impact on construction activity, particularly short-term interest rates at which landowners are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Defined Area. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the Authority is unable to assess the future availability of such funds for continued construction within the Defined Area. In addition, since the Defined Area is located approximately 12 miles from the central downtown business district of the City of Houston, the success of development within the Defined Area and growth of the Defined Area taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston or decline in the nation's real estate and financial markets could adversely affect development in the Defined Area and restrain the growth of or reduce the value of the Defined Area's property tax base.

### **No Developer Obligation to the Authority**

There are no commitments from or obligations of the Developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the Defined Area, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land would restrict the rate of growth of taxable values in the Defined Area. The Authority cannot and does not make any representations that over the life of the Bonds the Defined Area will increase or maintain its taxable value.

### **Undeveloped Acreage**

All of the developable acres of land within the Defined Area have been provided with water, sanitary sewer, storm drainage, and detention facilities and paving necessary for the construction of taxable improvements. The Authority makes no representation as to when or if development of this acreage will occur. See “THE PROJECT—Status of Development.”

### **Impact on Defined Area Tax Rates**

Assuming no further development, the value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Certified Taxable Assessed Valuation of the Defined Area (see “FINANCIAL STATEMENT (UNAUDITED)”) is \$312,682,784. After issuance of the Bonds, the maximum annual debt service requirement on the Contract Revenue Bonds is projected to be \$1,283,695 (2043) and the average annual debt service requirement is projected to be \$1,226,884 (2023-2043). Assuming no increase or decrease from the 2022 Certified Taxable Assessed Valuation of the Defined Area and no use of funds other than tax collections to make the contract payments consisting of the Defined Area Tax Payments, a Defined Area Tax rate of \$0.44 per \$100 taxable assessed valuation at a 95% collection rate would be necessary to pay the projected maximum annual debt service requirement of \$1,283,695 and a Defined Area Tax rate of \$0.42 per \$100 taxable assessed valuation at a 95% collection rate would be necessary to pay the projected average annual debt service requirement of \$1,226,884. See “DEBT SERVICE REQUIREMENTS.” Increases in taxable values depend primarily on the continuing construction and sale of taxable improvements within the Defined Area. See “TAX PROCEDURES FOR THE DEFINED AREA” and “TAX DATA FOR THE DEFINED AREA—Tax Adequacy.”

### **Future Debt**

The Bonds are the third issuance of Contract Revenue Bonds by the Authority to finance Public Improvement Costs for the Defined Area. The Authority reserves the right to issue Additional Parity Bonds which are secured by the Defined Area Tax Payments on a parity basis with the previously issued Contract Revenue Bonds. See “THE BONDS – Issuance of Additional Debt.”

According to the records of the Authority’s engineer, after the issuance of the Bonds, the Authority will owe the Developer approximately \$2,257,504.24 for Public Improvement Costs which are subject to reimbursement under the Developer Reimbursement Agreement. The Authority anticipates issuing additional Contract Revenue Bonds to reimburse the Developer as soon as feasible subject to compliance with the requirements for issuance of Additional Parity Bonds described in “SECURITY AND SOURCE OF PAYMENT—Additional Parity Bonds.” The issuance of Additional Parity Bonds may adversely affect the investment security for the Bonds. For a description of the total Public Improvement Costs the Authority expects to finance with Contract Revenue Bonds, see “THE PROJECT—Construction of Public Improvements for the Defined Area.”

### **Tax Collection Limitations for WCID 2**

The Authority’s ability to make debt service payments may be adversely affected by WCID 2’s inability to collect ad valorem taxes for the Defined Area. Under Texas law, the levy of ad valorem taxes by WCID 2 constitutes a lien in favor of WCID 2 on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. WCID 2’s ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While WCID 2 has a lien on taxable property within the Defined Area for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to WCID 2 from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Authority pursuant to the Federal Bankruptcy Code could stay any attempt by WCID 2 to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against

the debtor, including taxes that have already been paid. See “TAX PROCEDURES FOR THE DEFINED AREA—Rights in the Event of Tax Delinquencies.”

### **Registered Owners’ Remedies and Bankruptcy Limitations**

If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the Authority and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the Authority to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the Authority in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the Authority were obtained, it could not be enforced by direct levy and execution against the Authority’s property. Further, the Registered Owners cannot themselves foreclose on property within the Defined Area or sell property within the Defined Area to enforce the tax lien on taxable property to pay the contract payments consisting of the Defined Area Tax Payments and ultimately the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the Authority.

Under the Bankruptcy Code as interpreted by court cases, it is likely (but not certain) that the Authority would fall within the Bankruptcy Code’s definition of a “governmental unit.” A “governmental unit” may not be placed into bankruptcy involuntarily and may not file a petition for relief under either Chapter 7 or Chapter 11 of the Bankruptcy Code. The Bankruptcy Code also provides that the only type of “governmental unit” that can voluntarily file for bankruptcy is a “municipality” (as defined in the Bankruptcy Code) and then only if it is authorized to do so by its state law or by an officer of the state authorized to grant such authority. Under the Bankruptcy Code and current case law interpreting it, it is doubtful that the Authority is a “municipality” and if it were, there is no specific authorization under Texas law for local government corporations such as the Authority to file for bankruptcy. If the Authority were to be placed into bankruptcy or successfully file for bankruptcy, the security for the Bonds, including the lien on the Defined Area Tax Payments, could be adversely affected. The opinion of Bond Counsel will note that all opinions relative to enforceability of the Bond Resolution, the Indenture and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to debtors under the Bankruptcy Code.

### **Continuing Compliance with Certain Covenants**

The Bond Resolution contains covenants by the Authority intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the Authority to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

### **Marketability of the Bonds**

The Authority has no agreement with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

## **Environmental Regulations**

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the Defined Area. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the Authority.

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification

that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that water control and improvement districts, including WCID 2, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A water utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

WCID 2’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Fort Bend County, Fort Bend County Flood Control District, the City of Stafford, and the Texas Department of Transportation. In the event that at any time in the future WCID 2 is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If WCID 2’s inclusion in the MS4 Permit were required at a future date,



WCID 2 could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including WCID 2, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” WCID 2 must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of WCID 2 require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” The rule was published in the *Federal Register* on January 18, 2023 and became effective on March 20, 2023. The adoption of the new rule is currently the subject of ongoing litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of water control and improvement districts, including WCID 2, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## **2023 Legislative Session**

The 88th Regular Legislative Session convened on January 10, 2023, and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The Authority can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

## **THE BONDS**

### **General**

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the Authority.

The Bonds will be dated and accrue interest from June 1, 2023, which interest is payable on March 1, 2024 (nine months of interest) and on each September 1 and March 1 thereafter, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and bear interest at the rates shown on the inside cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof.

### **Authority for Issuance**

The Bonds are the third series of bonds issued by the Authority pursuant to the terms of the Defined Area Financing Agreement. The Authority is authorized by Chapter 431 of the Texas Transportation Code, the Texas Non-Profit Corporation Act, and its certificate of formation and bylaws to issue bonds for the purpose of paying for Public Improvements to serve the Defined Area, including water, sewer, and drainage facilities, recreational facilities, and road improvements (the "Public Improvements").

The Bonds are issued pursuant to the terms and conditions of the Defined Area Financing Agreement; the Bond Resolution; Article III, Sections 52 and 52-a and Article VIII, Section 1-g of the Texas Constitution; and the general laws of the State of Texas

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

### **Method of Payment of Principal and Interest**

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owners"), initially Cede & Co., without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon presentation and surrender of the Bonds as they respectively become due and payable, at the corporate trust office of the Paying Agent/Registrar. In the event the book entry only system is discontinued, interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15th) day (whether or not a business day) of the month prior to each interest payment date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

### **Funds**

In the Bond Resolution, the Pledged Revenue Fund is confirmed, and all Defined Area Tax Payments are required to be deposited, as collected, in such fund. The money in the Pledged Revenue Fund will be proportionately allocated among the various types of Contract Revenue Bonds, including the WSD Contract Revenue Bonds, the Road Contract Revenue Bonds and the Park Contract Revenue Bonds, if any (each a “Class of Bonds”) based on the ratio of the Class of Bonds’ total annual debt service requirements for the succeeding year to the total annual debt service requirements of all Contract Revenue Bonds.

The Bond Resolution also confirms the creation of the following funds:

- a) the Road Debt Service Fund, into which capitalized interest, if any, and accrued interest on the Bonds shall be deposited;
- b) the Road Debt Service Reserve Fund, which shall be funded from proceeds of the Bonds in the amount required to meet the Road Debt Service Reserve Fund Requirement; and
- c) the Surplus Fund, into which shall be deposited the remaining proceeds of sale of the Bonds to be used for the purposes set forth in “USE AND DISTRIBUTION OF PROCEEDS.”

All money in the Pledged Revenue Fund allocated to the Road Contract Revenue Bonds will be applied by the Authority as follows: (i) to the Road Debt Service Fund, amounts necessary to make the amounts on deposit therein equal to the annual debt service requirements (principal and interest payments) on the Bonds for the calendar year in which the Defined Area Tax Payment is received; (ii) to fund the Road Debt Service Reserve Fund at an amount equal to the Road Debt Service Reserve Fund Requirement; (iii) to the payment of fees and expenses of the Paying Agent/Registrar; (iv) to fund any account created for the benefit of any subordinate lien obligations incurred by the Authority, provided that immediately prior to any such transfers the deposits required by (i), (ii), and (iii) have been made or provided for; (v) to the Surplus Fund, as directed by the Authority to pay for any services, improvements or other costs of the Public Improvements or any lawful purpose, permitted by the Defined Area Financing Agreement; provided that immediately prior to any such transfers the deposits required by (i), (ii), (iii), and (iv) have been made or provided for.

The Pledged Revenue Fund, the Road Debt Service Fund, the Road Debt Service Reserve Fund, and the Surplus Fund are to be invested only in investments authorized by the laws of the State of Texas, but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times.

See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond proceeds.

### **No Arbitrage**

The Authority will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the Authority reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the Authority have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Authority as of the date the Bonds are delivered and paid for. In particular, all or any officers of the Authority are authorized to certify to the facts and circumstances and reasonable expectations of the Authority on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Authority covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without

limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

### **Record Date**

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

### **Redemption Provisions**

**Optional Redemption:** The Authority reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2030, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2029, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the Authority. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**Mandatory Redemption:** The Term Bonds maturing on September 1 in the years 2035, 2037, 2040 and 2043 (the “Term Bonds”) shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the Authority’s reserved right of optional redemption, as provided under “Optional Redemption” above:

<b>\$565,000 Term Bonds</b>		<b>\$615,000 Term Bonds</b>	
<b><u>Due September 1, 2035</u></b>		<b><u>Due September 1, 2037</u></b>	
Mandatory	Principal	Mandatory	Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
2034	\$ 275,000	2036	\$ 300,000
2035 (maturity)	290,000	2037 (maturity)	315,000

  

<b>\$1,060,000 Term Bonds</b>		<b>\$1,245,000 Term Bonds</b>	
<b><u>Due September 1, 2040</u></b>		<b><u>Due September 1, 2043</u></b>	
Mandatory	Principal	Mandatory	Principal
<u>Redemption Date</u>	<u>Amount</u>	<u>Redemption Date</u>	<u>Amount</u>
2038	\$ 335,000	2041	\$ 395,000
2039	350,000	2042	410,000
2040 (maturity)	375,000	2043 (maturity)	440,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the Authority to the Registrar or optional redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

***General Redemption Provisions:*** Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

### **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

### **Replacement of Paying Agent/Registrar**

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Authority, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the Authority shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

### **Lost, Stolen or Destroyed Bonds**

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the Authority, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the Authority's costs to replace such bond. In addition, the Authority or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

### **Issuance of Additional Debt**

The Bonds are the third issuance of Contract Revenue Bonds by the Authority to finance Public Improvement Costs for the Defined Area. According to the records of the Authority's engineer, the Authority owes the Developer approximately \$2,257,504.24 for Public Improvement Costs which are subject to reimbursement under the Developer Reimbursement Agreement. A portion of such reimbursement will be provided to the Developer from proceeds of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” For a description of the total Public Improvement Costs the Authority expects to finance with Contract Revenue Bonds, see “THE PROJECT—Construction of Public Improvements for the Defined Area.”

The Authority reserves the right to issue Additional Parity Bonds which are secured by the Pledged Revenues on a parity basis with the previously issued Contract Revenue Bonds. Additionally, the Authority may incur debt payable from the Pledged Revenues which is subordinate to the Bonds. Additional Parity Bonds may only be issued on the terms set forth in the Bond Resolution and following approval of the Attorney General and in the case of Additional Parity Bonds issued to finance water, sewer, and drainage facilities or park and recreational facilities, approval of the TCEQ. See “SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds.”

The issuance of Additional Parity Bonds may adversely affect the investment security for the Bonds.

### **Remedies in Event of Default**

If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the Authority and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the Authority to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the Authority in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the Authority were obtained, it could not be enforced by direct levy and execution against the Authority’s property. Further, the Registered Owners cannot themselves foreclose on property within the Defined Area or sell property within the Defined Area to enforce the tax lien on taxable property to pay the Defined Area Tax Payments and ultimately the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the Authority. See “RISK FACTORS—Registered Owners’ Remedies and Bankruptcy Limitations.”

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the Authority:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the Authority (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

## **Defeasance**

The Bond Resolution provides that the Authority may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the Authority payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Authority to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

## **BOOK-ENTRY-ONLY SYSTEM**

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy or completeness thereof. The Authority cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.*

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC

holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be



governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Initial Purchaser take any responsibility for the accuracy thereof.

## **THE AUTHORITY**

The Authority was created by the Fort Bend County Commissioners Court on August 25, 2015, pursuant to Subchapter D of Chapter 431, Texas Transportation Code, and Article 1396-1.01 of the Texas Non-Profit Corporation Act, as a local government corporation to aid, assist and act on behalf of the County in the performance of its governmental functions to promote, develop, encourage, and maintain transportation, employment, commerce and economic development in the County, to promote the common good and general welfare of the County, and in particular to plan, design, acquire, finance, build, and improve infrastructure to serve the Defined Area. The Authority is a duly constituted authority of the County and has the powers prescribed by Chapter 431 of the Texas Transportation Code, and the Texas Business Organization Code pertaining to nonprofit corporations.

The Authority began operations in 2017. Its operations have been funded through Developer advances and transfers from the Pledged Revenue Fund and the Chapter 381 Special Revenue Fund.

### **Board of Directors**

The Authority is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the Authority. The Chairperson of the Board shall be designated by the Commissioners Court of the County, and the Directors shall be appointed to a term for four years, and may be appointed to serve for more than one term of office. The Directors and Officers of the Authority are listed below:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Felecia Evans-Smith	Chair	2023
Ernie Loeb	Vice Chair	2023
Daniel Menendez	Secretary	2023
Michael Latimer	Assistant Secretary	2023
Rahim Tazeh	Assistant Secretary	2023

While the Authority does not employ any full-time employees, it has contracted for certain services as follows:

### **Bookkeeper**

The Authority has engaged District Data Services, Inc. to serve as the Authority's bookkeeper.

### **Engineer**

The consulting engineer for the Authority in connection with the design and construction of the Authority's facilities is Klotz Associates, Inc. (d/b/a RPS Group) (the "Engineer").

### **Attorney**

The Authority has engaged Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

### **Co-Financial Advisors**

Post Oak Municipal Advisors LLC and Hilltop Securities, Inc. (the "Co-Financial Advisors") serve as co-financial advisors to the Authority. The fees to be paid the Co-Financial Advisors are contingent upon sale and delivery of the Bonds.

### **Auditor**

The Authority has engaged Whitley Penn, LLP, independent auditors to prepare audited financial statements of the Authority for the fiscal year ended September 30, 2022.

### **Tax Assessor/Collector**

The Fort Bend County Appraisal District appraises land and improvements in the Defined Area. WCID 2 contracts with the Fort Bend County Tax Assessor for the collection of taxes, including the collection of the Defined Area Tax.

## **THE PROJECT**

### **Commencement of the Project**

Since 1967, Texas Instruments, Inc. (TI), a micro-electronics and semiconductor manufacturer, operated its campus on a 192 acre tract along U.S. Highway 59 South between Kirkwood Road and West Airport Boulevard. In 2012, TI announced its intention to move the campus from the Stafford Texas location.

In late 2015 StreetLevel Investments and Provident Realty Advisors announced the purchase of 192 acres in Stafford, including the former TI campus. The firms stated their intention to create a mixed use development that would include destination retail space, residential units, Class A office space, hotels, a health club, entertainment, and green space in a walkable urban center. The plan also included a parking garage and repurposing of portions of the original TI buildings.

### **Status of Development**

The project is being marketed as The GRID. Development began in 2018. The Developer has sold approximately 28 acres on the east end of the Project to Crow Holdings Industrial for industrial use. The Developer has also sold approximately 60 acres on the eastern side of the Project to JLB Stafford Phase I LP for multi-family housing development. Various other parcels with frontage on major roads have been sold to separate purchasers for restaurant and retail purposes.

Taxable improvements have been constructed on tracts totaling approximately 122.9 acres.

Industrial development includes: an approximately 148,000 square foot Costco Business Center; an approximately 34,525 square foot 700 Valve Supply valve distribution facility; an approximately 26,775 square foot Chaoda USA valve distribution facility; an approximately 34,100 square foot Cortland Limited rope distribution facility; an approximately 20,000 square foot SLG Lighting distribution facility; an approximately 62,000 square foot QRC valve distribution facility; an approximately 45,410 square foot Matrix Metals steel components distribution facility; an approximately 37,000 square foot Mester Lighting distribution facility; an approximately 38,000 square foot Jackson Supply Company distribution facility for HVAC equipment; and an approximately 54,000 square foot NTB tire distribution facility.

JLB Stafford developed a 380-unit apartment complex, a 346-unit apartment complex, and is constructing a third phase 362-unit apartment complex. An additional 350-unit apartment complex is under construction and expected to initially open in May 2024, and be fully completed in November 2024.

Multiple stand-alone commercial and retail businesses, including Torchy's Tacos, Raisin' Canes, In-N-Out Burger, Whiskey Cake Kitchen & Bar, Outback Steakhouse, Pluckers Wing Bar, Panda Express, Verizon, Chipotle Mexican Grill, McAlister's Deli, Great Clips, My Eyelab, Amegy Bank, and Refine Dentistry, have been developed within the Project. Additionally, an approximately 33,000 square foot Kelsey-Seybold Clinic was developed within the Defined Area.

The Defined Area also contains approximately 71 acres of undeveloped land and approximately 12 acres that are contained in street right-of-ways, easements, and utility sites. The Developer has obtained designation of the Project as a Planned Development District by the City, limiting the property uses within the Project.

#### **Construction of Public Improvements for the Defined Area**

The Developer has advanced funds to the Authority to construct certain Public Improvements to serve the Defined Area pursuant to the terms of a Development Financing and Reimbursement Agreement, dated as of September 28, 2015, between the Authority and 3MEBS Property Company LLC (the "Developer Reimbursement Agreement"), which was assigned to the Developer. Under the Developer Reimbursement Agreement, the Authority has agreed to reimburse the Developer for certain Public Improvement Costs, subject to approval by the TCEQ, as necessary, from the issuance of bonds or other lawfully available funds of the Authority. The Public Improvement Costs are estimated to total \$51,718,532. They include roadwork, water and sanitary sewer facilities, land costs for a detention tract, landscaping, public parking garages, electrical/franchise utilities, offsite sanitary to lift station, lift station and force main, pump station improvements, demolition of existing buildings, excavation and grading, professional fees for engineers, architects, general contractor, etc., maintenance bonds and insurance, and developer interest.

The Authority expects to reimburse the Developer for approximately \$31,289,281 of the Public Improvement Costs described above from Contract Revenue Bonds payable from Defined Area Tax Payments made under the Defined Area Financing Agreement or direct payments to the Developer from Defined Area Tax Payments. The Authority expects to reimburse the Developer for the remainder of the Public Improvement Costs (mainly items not eligible for reimbursement under the Defined Area Financing Agreement, such as public parking garages and demolition of buildings) from annual payments received from the County pursuant to an Agreement between the County and the Authority approved by the Commissioners Court of the County on August 25, 2015 (the "Chapter 381 Agreement") or from the proceeds of bonds issued by the Authority and payable from the Chapter 381 Agreement. Under the Chapter 381 Agreement, the parties established a program to finance and develop certain Public Improvements in accordance with Article III, Section 52-a of the Texas Constitution and Chapter 381, Texas Local Government Code, under which the County has the authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity within the County. Payments under the Chapter 381 Agreement are derived from County tax revenues collected in the Defined Area. The payments continue until tax year 2032 unless the Authority had paid all amounts due to the Developer before then.

In addition the City and Stafford Economic Development Corporation entered into an Economic Development Agreement with the Developer on April 11, 2018 (the "Economic Development Agreement") under which the City and Stafford Economic Development Corporation agreed to provide financial assistance to the Developer for certain

infrastructure improvements for the Defined Area payable from sales tax generated from the Defined Area. The improvements to be funded under the Economic Development Agreement equal \$10,715,410 in project costs and consist of road improvements, including left turn lanes, signals and lighting, and underground electrical work.

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer in a district such as the Authority include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developer or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective purchasers of the Bonds should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the Authority will occur, or that construction of taxable improvements upon property within the Authority will occur, or that marketing or leasing of taxable improvements constructed upon property within the Authority will be successful. Circumstances surrounding development within the Authority may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate. No representation is made as to the relative success of any of the projects mentioned above, and no assurance as to the future performance of the Developer should be inferred. Prospective purchasers are urged to inspect the Authority in order to acquaint themselves with the nature of the Developer's business activities. See "RISK FACTORS—Dependence on Principal Taxpayers and the Developer."

### **The Developer**

Stafford 59 & Airport LP, a Texas limited partnership (the "Developer") was formed for the sole purpose of acquiring and developing the land in the Defined Area. Stafford 59 & Airport, GP, LLC, a Texas limited liability company, is the General Partner of the Developer. Development activities are conducted by 3MEBS Property Company, LLC, a Dallas-based development company informally doing business as StreetLevel Investments, whose principals are also principals of the general partner and limited partner of the Developer. The Developer is developing the Defined Area for retail, dining, and entertainment establishments, multi-family housing, and commercial uses.

The Developer purchased the land within the Defined Area in October 2015. It currently owns approximately 51 undeveloped acres. Various parcels have been sold to separate purchasers for restaurant and retail purposes.

Approximately 60 acres in the Defined Area were sold to JLB Stafford Phase I LP for the purpose of developing multi-family housing and approximately 28 acres in the Defined Area were sold to Crow Holdings Industrial for industrial use. See "PRINCIPAL PROPERTY OWNERS—Principal Property Owners" for information related to the ownership interests of other property owners within the Defined Area.

The Developer has funded development activities through revenues from the Project, equity contributions and a development loan from B-1 Bank in the principal amount of \$15,850,000. The loan has been drawn in an aggregate amount of \$14,465,542. Such loan is due on June 30, 2025. According to the Developer, it is in full compliance with the terms of the loan.

## **PRINCIPAL PROPERTY OWNERS**

### **General**

The following is a brief description of the largest property owners in the Defined Area. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developer” and “TAX DATA FOR THE DEFINED AREA—Principal Taxpayers.”

### **Principal Property Owners**

The top ten principal taxpayers represent \$270,145,452 or 86.40% of the 2022 Certified Taxable Assessed Valuation of the Defined Area.

The Developer represents \$37,301,292 or 11.93% of the 2022 Certified Taxable Assessed Valuation of the Defined Area. JLB Stafford Phase I LP represents \$89,026,140 or 28.47% of the 2022 Certified Taxable Assessed Valuation of the Defined Area. Jimbo Grid I LLC represents \$59,459,000 or 19.02% of the 2022 Certified Taxable Assessed Valuation of the Defined Area. BC Exchange Stafford Grove DST represents \$31,836,980 or 10.18% of the 2022 Certified Taxable Assessed Valuation of the Defined Area.

There are numerous other parties that own land, improvements and/or personal property within the Defined Area; however, each of these parties individually represents approximately 5.00% or less of the 2022 Certified Taxable Assessed Valuation of the Defined Area. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developer” and “—Dependence on Personal Property Tax Collections” and “TAX DATA FOR THE DEFINED AREA—Principal Taxpayers.”

## **THE ROAD SYSTEM**

The Outstanding Bond proceeds for the purpose of constructing roads were used to finance the construction and paving of West Airport Boulevard (left turn lane at Crow), West Airport Boulevard (left turn lane at Spectrum Ln), Spectrum Lane, Signal Way, Network Drive, Trinity Road, Left Turn Lane at Arc Lane, Right Turn Lane at Nexus Lane, and Right Turn Lane at Network Road within the Defined Area.

Proceeds of the Bonds are being issued to finance the demolition costs, paving, drainage and land costs for Phase 1 and Phase 2 roadways within the Defined Area, and engineering costs for the intersection at Signal Way and Spectrum. All of these roadways within the Project are included on the City of Stafford’s and Fort Bend County’s thoroughfare plan and have been accepted for ownership by the City, however, the Authority has accepted operation and maintenance responsibilities for the roadways.

The roadways lie within the public right-of-way. In addition to the roadways, public utilities such as underground water, sewer and drainage facilities are also located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone and cable).

## **WATER SUPPLY, WASTEWATER TREATMENT AND DRAINAGE**

The Outstanding Bond proceeds related to the Water, Sewer and Drainage Facilities were used to finance engineering, testing, demolition and improvements for water, sewer and drainage facilities at the East Detention Basin, West Airport Boulevard (left turn lane at Spectrum Lane), the Central Detention Basin (Phase I), Airport Boulevard (left turn lane at Crow), and Signal Way and Spectrum Lane.

### **Regulation**

According to the Engineer, the water distribution, wastewater collection, storm drainage, and detention facilities for the Defined Area (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with

the standards and specifications of such entities and is subject to inspection by each such entity. Discharge of treated sewage is subject to the regulatory authority of the City of Stafford, the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Fort Bend County Drainage District, the City of Stafford, Fort Bend County and, in some instances, the TCEQ. Fort Bend County and the City of Stafford also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the Authority in order to achieve compliance. The following descriptions are based upon information supplied by the Authority's Engineer.

### **Water Distribution, Sanitary Sewer Collection and Drainage System**

The System includes water, sanitary sewer, and drainage facilities to serve the development described under the section "THE AUTHORITY—Status of Development." The water and sanitary sewer facilities constructed to date have been conveyed to WCID 2 and accepted by it for operation and maintenance.

### **Water Supply**

The Defined Area is within the boundaries of WCID 2 and property owners receive potable water from WCID 2's water production and distribution system pursuant to its fees, policies, charges, rules and regulations.

*Subsidence and Conversion to Surface Water Supply:* WCID 2 is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. WCID 2's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within WCID 2. The Subsidence District's regulations require WCID 2, individually or collectively with other water users, to have prepared a groundwater reduction plan ("GRP") certified by the Subsidence District no later than WCID 2's permit renewal date in 2010. WCID 2 has prepared a GRP and obtained certification from the Subsidence District.

The Subsidence District's regulations further require WCID 2 individually or collectively with other water users to (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning with its permit year beginning in 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning with its permit year beginning in 2025. The Defined Area is within the boundaries of WCID 2 and is included in its Groundwater Reduction Plan.

WCID 2 completed construction of a 3 million gallons per day ("MGD") surface water plant to meet the conversion goal. If WCID 2 fails to comply with the above Subsidence District regulations, WCID 2 will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 70% of the total annual water demand beginning with the 2016 permit year (40% beginning with the 2025 permit year). If WCID 2 fails to comply with surface water conversion requirements mandated by the Subsidence District, WCID 2 may be subject to monetary or other penalties imposed by the Subsidence District.

The Authority cannot predict the amount or level of fees and charges which may be due the Subsidence District in the future, but WCID 2 may need to pass such fees through to its customers, including property owners in the Defined Area: (i) through higher water rates and/or (ii) with portions of tax proceeds. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the Authority. The Authority can make no representation that WCID 2: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, or (ii) will comply with the Subsidence District's surface water conversion requirements.

### **Wastewater Treatment Facilities**

The Defined Area is within the boundaries of WCID 2 and property owners receive wastewater collection and treatment services from WCID 2's system pursuant to its fees, policies, charges, rules and regulations.

### **Ownership, Operation, and Maintenance of Facilities**

WCID 2 owns, operates, and maintains all water and sanitary sewer facilities within the Defined Area. Storm water detention facilities and related appurtenances are owned, operated, and maintained by the Authority.

### **Drainage**

Internal stormwater collection lines have been constructed for drainage system improvements to serve the Defined Area's development. The Defined Area's storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers. This system serves the entire drainage area of the Defined Area and conveys flows to several storm water detention basins owned and maintained by the Authority, including a Central Detention Pond (phase I) and the East Detention Pond, both of which drain to the City of Stafford ditch.

### **100-Year Flood Plain**

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. According to the Engineer, none of the developable acreage within the Defined Area is located within the 100-year flood plain. Additionally, the storm water drainage system for the Defined Area has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location. See "RISK FACTORS—Severe Weather."

### **Storm Water**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Defined Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the Defined Area. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "—100-Year Flood Plain" above.

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## USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$4,351,686 is estimated for construction costs, \$927,426 is estimated for non-construction costs, and \$295,888 is estimated for issuance costs and fees.

### CONSTRUCTION COSTS

• Demolition.....	\$90,044
• Phase 1 Roads.....	795,267
• Phase 2 Roads.....	1,422,959
• Nexus Avenue.....	607,879
• Engineering, Testing and Inspection.....	122,226
• Engineering for Previous Road Projects.....	56,271
• Land Costs.....	<u>1,347,546</u>
Subtotal Construction Costs.....	\$4,442,194
Less: Surplus Funds.....	<u>(90,508)</u>
<b>Total Construction Costs.....</b>	<b><u>\$4,351,686</u></b>

### NON-CONSTRUCTION COSTS

• Developer Interest (estimated).....	\$279,371
• Bond Discount .....	166,490
• Debt Service Reserve Fund .....	459,219
• Contingency <sup>(a)</sup> .....	<u>22,346</u>
<b>Total Non-Construction Costs.....</b>	<b><u>\$927,426</u></b>

### ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$290,313
• Regulatory Fees.....	<u>5,575</u>
<b>Total Issuance Costs and Fees.....</b>	<b><u>\$295,888</u></b>
<b>TOTAL BOND ISSUE.....</b>	<b><u>\$5,575,000</u></b>

(a) Represents the difference between estimated and actual amounts for Bond Discount and Debt Service Reserve Fund.



## FINANCIAL STATEMENT (UNAUDITED)

2022 Certified Taxable Assessed Valuation of the Defined Area..... \$312,682,784 (a)

District Debt:

Outstanding Bonds (as of May 1, 2023).....	\$11,220,000
The Bonds.....	<u>5,575,000</u>
Gross Debt Outstanding (after issuance of the Bonds).....	\$16,795,000

Ratio of Gross Debt to 2022 Certified Taxable Assessed Valuation of the Defined Area..... 5.37%

Defined Area: 192 acres

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES FOR THE DEFINED AREA."

### **Cash and Investment Balances** (unaudited as of April 24, 2023)

General Fund	Cash and Temporary Investments	\$54,134 (a)
Defined Area Pledged Revenue Fund	Cash and Temporary Investments	\$1,853,264 (b)
381 Revenue Fund	Cash and Temporary Investments	\$822,017 (c)
Road Debt Service Fund	Cash and Temporary Investments	\$23,910 (d)
Road Reserve Fund	Cash and Temporary Investments	\$312,490 (e)
Road Capital Projects Fund	Cash and Temporary Investments	\$0
Road Surplus Fund	Cash and Temporary Investments	\$90,862 (f)
WSD Debt Service Fund	Cash and Temporary Investments	\$25,422 (f)
WSD Reserve Fund	Cash and Temporary Investments	\$389,006 (f)
WSD Capital Projects Fund	Cash and Temporary Investments	\$0 (f)
WSD Surplus Fund	Cash and Temporary Investments	\$604,522 (f)

- (a) The Authority anticipates that the General Fund balance will continue to be funded by transfers from the 381 Revenue Fund, as needed until the imposition of an operations and maintenance tax within the Defined Area. See "TAX DATA FOR THE DEFINED AREA—Tax Rate Limitations—*Defined Area Maintenance Tax Rate*."
- (b) Pursuant to the Defined Area Financing Agreement, WCID 2 is required to deposit the Defined Area Tax Payment into the Pledged Revenue Fund by each May 31 of the year following the year in which the Defined Area Tax is levied, and quarterly thereafter until the payment is made in full. Defined Area Tax Payment are deposited into the Pledged Revenue Fund as they are received.
- (c) The Authority receives annual payments from the County pursuant to Chapter 381, Texas Local Government Code, for the purpose of financing public improvement costs within the Authority (the "County Increment"). The County Increment is not pledged as security for the Bonds.
- (d) Neither Texas law nor the Bond Resolution requires the Authority to maintain any minimum balance in the Road Debt Service Fund.
- (e) To be funded upon closing with a portion of the proceeds of the Bonds in the amount of \$459,219.19, which, together with amounts in the Road Debt Service Reserve Fund, will equal the Road Debt Service Reserve Fund Requirement. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) Not pledged as security for the payment of debt service on the Bonds or any additional Road Contract Revenue Bonds.

### **Outstanding Bonds**

The Authority previously issued its Contract Revenue Road Bonds, Series 2020 and its Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2022, as shown below.

#### **Outstanding Bonds (as of May 1, 2023)**

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of May 1, 2023</u>
2020 <sup>(a)</sup>	\$4,620,000	\$4,320,000
2022 <sup>(b)</sup>	\$6,900,000	<u>\$6,900,000</u>
		<u>\$11,220,000</u>

<sup>(a)</sup> Contract Revenue Road Bonds.

<sup>(b)</sup> Contract Revenue WSD Bonds.

### **Investments of the Authority**

The Authority has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Authority's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the Authority will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The Authority does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the Authority's portfolio.

### **ESTIMATED OVERLAPPING DEBT STATEMENT FOR THE DEFINED AREA**

Expenditures of the various taxing entities within the territory of the Defined Area are paid out of ad valorem taxes levied by such entities on properties within the Defined Area. Such entities are independent of the Authority and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Authority, the Authority has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the Defined Area.

*[The remainder of this page is intentionally left blank.]*

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Fort Bend County.....	\$820,682,050	03/31/23	0.27%	\$2,215,842
Fort Bend County Drainage District.....	23,615,000	03/31/23	0.27%	63,761
Fort Bend County WCID No. 2.....	100,270,000	03/31/23	4.56%	4,572,312
Stafford Municipal School District.....	99,165,000	03/31/23	7.13%	7,070,465
Stafford, City of.....	0	03/31/23	5.79%	0
Total Estimated Overlapping Debt				\$13,922,380
The Authority.....	16,795,000 (a)	current	100.00%	16,795,000
Total Direct and Estimated Overlapping Debt.....				\$30,717,380
Ratio of Total Direct and Estimated Overlapping Debt to:				
2022 Certified Taxable Assessed Valuation of the Defined Area.....				9.82%

(a) Represents the Bonds.

### **Overlapping Tax Rates**

	<u>2021 Tax Rate per \$100 of Taxable Assessed Valuation</u>	<u>2022 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.452800	\$ 0.451200
Fort Bend County WCID No. 2.....	0.212500	0.212500
Houston Community College - Stafford.....	0.099092	0.095569
Stafford Municipal School District.....	1.169800	1.099300
Stafford, City of.....	0.000000	0.000000
Total Overlapping Tax Rate.....	\$ 1.934192	\$ 1.858569
The Defined Area Tax Rate.....	0.515000	0.515000
Total Tax Rate.....	\$ 2.449192	\$ 2.373569

(a) Includes Fort Bend County Drainage District.

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## TAX DATA FOR THE DEFINED AREA

### **Tax Collections**

The following statement of tax collections sets forth in condensed form the historical tax collection experience for the Defined Area Tax, excluding any tax levied by WCID 2 that does not constitute the Defined Area Tax. This summary has been prepared for inclusion herein, based upon information from the Fort Bend County Tax Assessor-Collector. Reference is made to these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections	
				Amount	Percent
2018	\$69,391,949	\$0.515	\$357,369	\$357,369	100.00% <sup>(a)</sup>
2019	114,464,516	0.515	589,492	593,228	100.63% <sup>(a)</sup>
2020	172,080,123	0.515	886,213	886,267	100.01% <sup>(a)</sup>
2021	222,335,805	0.515	1,112,610	1,112,610	100.00% <sup>(a)</sup>
2022	312,682,784	0.515	1,610,731	688,772	42.76% <sup>(b)</sup>

(a) Collections as of the end of the respective fiscal year end.

(b) As of January 31, 2023. In process of collection.

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

### **Defined Area Tax Rate**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Defined Area Tax Rate <sup>(a)</sup>	<u>\$0.515</u>	<u>\$0.515</u>	<u>\$0.515</u>	<u>\$0.515</u>	<u>\$0.515</u>
Total	\$0.515	\$0.515	\$0.515	\$0.515	\$0.515

(a) Pursuant to the Defined Area Financing Agreement, WCID 2 has agreed to levy the Defined Area Tax rate at an amount equal to \$0.515 per \$100 of assessed valuation, which will be used to pay principal of and interest on the Bonds and any Additional Parity Bonds. See “—Tax Adequacy” herein.

### **Tax Rate Limitations**

#### **Defined Area Tax Rate**

At an election held within the Defined Area, voters approved the Defined Area Financing Agreement and authorized WCID 2 to levy and annual ad valorem tax unlimited in amount on all taxable property within the Defined Area to make payments under the Defined Area Financing Agreement, including payments to provide for the principal of and interest on bonds issued for water, sewer, and drainage facilities, recreational facilities, and road facilities (the “Defined Area Tax”). The Defined Area Tax is not limited as to rate or amount; however, the Defined Area Financing Agreement requires WCID 2 to set a tax rate equal to \$0.515 per \$100 assessed valuation, except as otherwise provided therein.

#### **Defined Area Maintenance Tax Rate**

At an election held within the Defined Area, voters authorized the Board of WCID 2 to levy and collect an operations and maintenance tax, not to exceed \$1.50 per \$100 of assessed value, on all taxable property within the Defined Area to secure funds for operation and maintenance of all facilities serving the Defined Area and authorized by Article XVI,

Section 59 of the Texas Constitution (the “Defined Area Maintenance Tax”). WCID 2 has not levied a Defined Area Maintenance Tax.

### **Tax Exemptions**

As discussed in the section titled “TAX PROCEDURES FOR THE DEFINED AREA” herein, certain property in the Defined Area may be exempt from taxation by WCID 2. For the 2023 tax year, WCID 2 has adopted a resolution which exempts \$40,000 of the appraised value of residence homesteads of persons sixty-five (65) years or older and of certain disabled persons.

### **Additional Penalties**

WCID 2 has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, WCID 2 established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Title 1 of the Texas Tax Code.

### **Summary of Assessed Valuation**

The following summary of the 2022, 2021, 2020, and 2019 taxable assessed valuation of the Defined Area is provided by WCID 2’s Tax Assessor/Collector based on information contained in the 2022, 2021, 2020 and 2019 tax rolls of WCID 2 as of the date of this Official Statement. Differences in totals from others shown in this Official Statement are due to differences in dates of the data.

	2022	2021	2020	2019
Land	\$96,974,060	\$46,900,660	\$46,108,500	\$37,288,010
Improvements	173,678,368	131,310,310	86,152,713	59,508,336
Personal Property	47,088,411	38,745,780	40,246,330	18,101,260
Exempt Property	(5,058,055)	(949,551)	(427,420)	(433,090)
Total Assessed Valuation	\$312,682,784	\$216,007,199	\$172,080,123	\$114,464,516

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## **Principal Taxpayers**

The following list of the top ten principal taxpayers was provided by the Fort Bend County Tax Assessor-Collector based upon the 2022 certified tax rolls, which reflect ownership at January 1, 2022.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Certified Taxable Assessed Valuation</u>	<u>% of 2022 Certified Taxable Assessed Valuation of the Defined Area</u>
JLB Stafford	Land & Improvements	\$89,026,140	28.47%
Jimbo Grid I LLC	Land & Improvements	59,459,000	19.02%
Stafford 59 & Airport LP <sup>(a)</sup>	Land	37,301,292	11.93%
BC Exchange Stafford Grove DST <sup>(b)</sup>	Land	31,836,980	10.18%
Costco Wholesale Corporation	Personal Property	16,125,000	5.16%
700 Valve Supply, LLC	Personal Property	9,110,580	2.91%
QRC Valve Distributors LLC	Personal Property	8,904,840	2.85%
Houston Rite Investment Inc.	Land	7,024,570	2.25%
Spring Lighting Group Inc.	Personal Property	6,208,050	1.99%
Carroll's LLC	Personal Property	<u>5,149,000</u>	<u>1.65%</u>
Total for Principal Taxpayers		\$270,145,452	86.40%

(a) Developer. See "THE DEVELOPER" and "PRINCIPAL PROPERTY OWNERS."

(b) See "PRINCIPAL PROPERTY OWNERS."

## **Tax Adequacy**

The calculations showing the tax rates necessary to pay the Authority's average and maximum annual debt service requirements on the Bonds below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2022 Certified Taxable Assessed Valuation of the Defined Area, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS" and "RISK FACTORS—Impact on Defined Area Tax Rates."

Average annual debt service requirement (2023-2043)..... \$1,226,884

\$0.42 tax rate on the 2022 Certified Taxable Assessed Valuation of the Defined Area  
of \$312,682,784 at a 95% collection rate produces..... \$1,247,604

Maximum annual debt service requirement (2043)..... \$1,283,695

\$0.44 tax rate on the 2022 Certified Taxable Assessed Valuation of the Defined Area  
of \$312,682,784 at a 95% collection rate produces..... \$1,307,014

## **TAX PROCEDURES FOR THE DEFINED AREA**

### **Authority to Levy Taxes**

WCID 2 is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the Defined Area to make payments under the Defined Area Financing Agreement, including payments to provide for the payment of principal and interest on bonds issued for water, sewer, and drainage facilities, recreational facilities, and road facilities. WCID 2 is also authorized to levy and collect an operations and maintenance

tax, not to exceed \$1.50 per \$100 assessed value, on all taxable property within the Defined Area to secure funds for operation and maintenance of all facilities serving the Defined Area and authorized by Article XVI, Section 59 of the Texas Constitution. See “TAX DATA FOR THE DEFINED AREA.”

### **Property Tax Code and County-Wide Appraisal District**

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including WCID 2. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District and Harris County Appraisal District (each, an “Appraisal District”) have the responsibility for appraising the property within WCID 2 within their jurisdictions. Such appraisal values are subject to review and change by the applicable county Appraisal Review Board (the “Appraisal Review Board”). Property within the Defined Area is appraised by the Fort Bend Central Appraisal District.

### **Property Subject to Taxation by WCID 2**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the Defined Area are subject to taxation by WCID 2. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, WCID 2 may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by its board of directors. WCID 2 may be required to offer such an exemption if a majority of voters approve it at an election. WCID 2 would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, WCID 2 must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA FOR THE DEFINED AREA.”

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the

payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

*Freeport Goods and Goods-in-Transit Exemptions:* A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the Authority does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. For tax years 2023 through 2025, a taxing jurisdiction wholly or partially located in disaster area on or after January 1, 2020, may, by official action, extend the date by which goods-in-transit personal property must be forwarded to another location to a date not later than 27 days after the date the property was acquired in or imported into Texas. If such an extension is adopted by a taxing unit, the extension applies only to the goods-in-transit exemption of that taxing unit and only for the tax year in which the extension was adopted. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the Authority may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. WCID 2 has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Valuation of Property for Taxation**

Generally, property in the Defined Area must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the WCID 2 in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the Authority can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.



The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. WCID 2, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the Defined Area or an estimate of any new property or improvements within the Defined Area. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Defined Area, it cannot be used for establishing a tax rate within the Defined Area until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

### **Disaster Exemption**

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the WCID 2, adopting its tax rate for the tax year. A taxing unit, such as WCID 2, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **WCID 2 and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as WCID 2) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

WCID 2 is responsible for the levy and collection of WCID 2's taxes unless WCID 2 elects to transfer such functions to another governmental entity. The rate of taxation is set by WCID 2's board of directors, after the legally required notice has been given to owners of property within the Defined Area, based upon: a) the valuation of property within the Defined Area as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by WCID 2 and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by WCID 2 and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of WCID 2, which may be rejected by taxing units. WCID 2's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12

months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as WCID 2 if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

### **Voter Approval of Tax Rate**

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that WCID 2 has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below.

#### **Special Taxing Units:**

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

#### **Developed Districts:**

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### **Developing Districts:**

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

### WCID 2:

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by WCID 2's board of directors on an annual basis. The Authority cannot give any assurances as to what WCID 2's classification will be at any point in time or whether WCID 2's future tax rates will result in a total tax rate that will reclassify WCID 2 into a new classification and new election calculation. For tax year 2022, WCID 2 has classified itself as a Special Taxing Unit.

### **Rights in the Event of Tax Delinquencies**

Taxes levied by WCID 2 for the Defined Area are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including WCID 2, having power to tax the property. WCID 2's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Authority is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, WCID 2 may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, WCID 2 must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records or by bankruptcy proceedings which restrict the collection of taxpayer debts. WCID 2's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—Tax Collection Limitations for WCID 2" and "—Registered Owners' Remedies and Bankruptcy Limitations."

### **Tax Payment Installments After Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as WCID 2, if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Additionally the Property Tax Code authorizes a taxing jurisdiction such as WCID 2, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

### **Tax Exemption Provided to Lessees of Public Facility Corporations**

Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC"), to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by

a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including ad valorem and sales taxes levied by such taxing authorities. A leasehold or other possessory interest in the public facility granted by the PFC entitles the user of the public facility to the same exemptions from taxation. Under the Texas Local Government Code, which is currently the subject of various legislative bills being considered by the Texas Legislature during the 88<sup>th</sup> Regular Session, developers who participate in these deals must set aside at least 20% of their units for public housing. Alternatively, they can designate at least half of their units for people making less than 80% of the area median income.

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## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Bonds and the Outstanding Bonds.

Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Total	
2023	\$777,023				\$777,023
2024	805,660	\$135,000	\$ 308,156	\$ 443,156	1,248,816
2025	807,285	180,000	239,775	419,775	1,227,060
2026	808,135	190,000	230,775	420,775	1,228,910
2027	813,385	195,000	221,275	416,275	1,229,660
2028	812,775	205,000	211,525	416,525	1,229,300
2029	811,395	220,000	201,275	421,275	1,232,670
2030	819,235	220,000	192,475	412,475	1,231,710
2031	815,915	235,000	183,675	418,675	1,234,590
2032	816,790	250,000	174,275	424,275	1,241,065
2033	821,600	260,000	164,275	424,275	1,245,875
2034	820,200	275,000	153,875	428,875	1,249,075
2035	817,820	290,000	142,188	432,188	1,250,008
2036	824,120	300,000	129,863	429,863	1,253,983
2037	824,120	315,000	117,113	432,113	1,256,233
2038	823,070	335,000	103,725	438,725	1,261,795
2039	825,970	350,000	88,650	438,650	1,264,620
2040	822,315	375,000	72,900	447,900	1,270,215
2041	822,505	395,000	56,025	451,025	1,273,530
2042	826,480	410,000	38,250	448,250	1,274,730
2043	823,895	440,000	19,800	459,800	1,283,695
Total	<u>\$17,139,693</u>	<u>\$5,575,000</u>	<u>\$ 3,049,869</u>	<u>\$ 8,624,869</u>	<u>\$25,764,561</u>
Average Annual Debt Service Requirements (2023-2043).....					\$1,226,884
Maximum Annual Debt Service Requirements (2043).....					\$1,283,695

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Authority under the Constitution and laws of the State of Texas, payable from the sources described therein, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE AUTHORITY—General,” “TAX PROCEDURES FOR THE DEFINED AREA,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Authority for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as General Counsel to the Authority on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **No Material Adverse Change**

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the Authority to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the Authority from that set forth or contemplated in the Preliminary Official Statement.

### **No-Litigation Certificate**

The Authority will furnish the Initial Purchaser a certificate, executed by both the Chair or Vice Chair and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the Authority.

## TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The Authority has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority’s Co-Financial Advisors and the Initial Purchaser with respect to matters solely within the knowledge of the Authority, the Authority’s Co-Financial Advisors and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the Authority should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is ineluctable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the

owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the Authority nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

### **Not Qualified Tax-Exempt Obligations**

The Bonds will not be designated as “qualified tax-exempt obligations.



## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the Authority accepted the bid resulting in the lowest net interest cost, which bid was tendered by FMSbonds, Inc. (the “Initial Purchaser”) bearing the interest rates shown on the inside cover page hereof, at a price of 97.013631% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.636611% as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Authority has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **MUNICIPAL BOND RATING**

Moody’s Investors Service (“Moody’s”) has assigned a credit rating of “Baa3” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody’s, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

The financial data and other information contained in this Official Statement has been obtained primarily from the Authority’s records, the Developer, the Engineer, the Bookkeeper, the Fort Bend County Tax Assessor and Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the Authority as to the accuracy or completeness of the information derived from sources other than the Authority, and its inclusion herein is not to be construed as a representation on the part of the Authority

except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Co-Financial Advisors**

Post Oak Municipal Advisors LLC and Hilltop Securities Inc. are employed as the Co-Financial Advisors to the Authority to render certain professional services, including advising the Authority on a plan of financing and assisting in the preparation of the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In their capacity as Co-Financial Advisors, Post Oak Municipal Advisors LLC and Hilltop Securities Inc., in assisting with the preparation of the Official Statement, have compiled certain information and edited this Official Statement. Additionally, the Co-Financial Advisors have obtained the information set forth herein under the caption indicated from the following sources:

“THE AUTHORITY” – Klotz Associates, Inc. (d/b/a RPS Group) (“Engineer”) and Records of the Authority (“Records”); “PRINCIPAL PROPERTY OWNERS” – the Developer; “WATER SUPPLY, WASTEWATER TREATMENT AND DRAINAGE” – Engineer; “FINANCIAL STATEMENT” – Fort Bend Central Appraisal District and Fort Bend County Tax Assessor-Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT FOR THE DEFINED AREA” – Municipal Advisory Council of Texas and Co-Financial Advisors; “TAX DATA FOR THE DEFINED AREA” – Fort Bend County Tax Assessor-Collector; “MANAGEMENT” – Records; “DEBT SERVICE REQUIREMENTS” – Co-Financial Advisors; “THE BONDS,” “TAX PROCEDURES FOR THE DEFINED AREA,” “LEGAL MATTERS,” and “TAX MATTERS” – Allen Boone Humphries Robinson LLP.

The Co-Financial Advisors have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this official statement in accordance with, and as part of, their responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

### **Consultants**

In approving this Official Statement, the Authority has relied upon the following consultants.

*Engineer:* The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE AUTHORITY,” “THE ROAD SYSTEM” and “WATER SUPPLY, WASTEWATER TREATMENT AND DRAINAGE” has been provided by Klotz Associates, Inc. (d/b/a RPS Group) and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Appraisal District:* The information contained in this Official Statement relating to the assessed valuations, principal taxpayers, and certain other data concerning tax rates and tax collections has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the Authority, and in assessing and collecting taxes.

### **Audited Financial Statements**

Whitley Penn LLP, the Authority’s independent auditor, has consented to the inclusion of its opinion and the financial statements of the governmental activities and each major fund of the Authority as of and for the year ended September 30, 2022 as Appendix A to the Official Statement. The Authority is a component unit of the City. Whitley Penn LLP has not performed any procedure on such financial statements since the date of such reports, nor have they performed

any procedures on any other financial statement of the Authority, including without limitation any of the information contained in the Official Statement.

### **Certification of Official Statement**

The Authority, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the Authority and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the Authority, the Authority has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the Authority. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the Authority relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the Authority.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the Authority has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the Authority will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

### **Annual Reports**

The Authority will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the Authority includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION,” and “FINANCIAL STATEMENT (UNAUDITED),” and in Appendix A, and with respect to WCID 2 of the general type included in this Official Statement under the heading “PRINCIPAL PROPERTY OWNERS,” “ESTIMATED OVERLAPPING DEBT STATEMENT FOR THE DEFINED AREA,” and “TAX DATA FOR THE DEFINED AREA.” The Authority will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2023. The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited financial statements by the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles or other such principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The Authority will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The Authority will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial

difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person (13) consummation of a merger, consolidation, or acquisition involving the Authority or other obligated person or the sale of all or substantially all of the assets of the Authority or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Authority or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under the federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the Authority will provide timely notice of any failure by the Authority to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

#### **Availability of Information from MSRB**

The Authority has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The Authority has agreed to update information and to provide notices of specified events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement.

The Authority may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The Authority may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the Authority so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

During the past five years, in accordance with SEC Rule 15c2-12, the Authority has complied in all material respects with its continuing disclosure agreements.

### **MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of East Fort Bend County Development Authority, as of the date shown on the cover page.

/s/ Felecia Evans-Smith

Chair, Board of Directors

East Fort Bend County Development Authority

ATTEST:

/s/ Daniel Menendez

Secretary, Board of Directors

East Fort Bend County Development Authority

## AERIAL PHOTOGRAPH

(Approximate boundaries of the Defined Area as of May 2023)



## **PHOTOGRAPHS**

The following photographs were taken in the Authority in May 2023, solely to illustrate the type of improvements which have been constructed in the Authority. The Authority cannot predict if any additional improvements will be constructed in the future.

















**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE AUTHORITY**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**



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EAST FORT BEND COUNTY  
DEVELOPMENT AUTHORITY

A COMPONENT UNIT OF  
FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2022

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*CPAs and Professional Consultants*

# **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
East Fort Bend County Development Authority  
Fort Bend County, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of East Fort Bend County Development Authority (the "Authority"), a component unit of Fort Bend County, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of September 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibility of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



***Auditor's Responsibility for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Houston, Texas  
February 13, 2023

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the East Fort Bend County Development Authority, we offer readers of the Authority's financial statements this overview and analysis of the Authority's financial activities for the fiscal year ended September 30, 2022.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

#### **Financial Highlights**

The liabilities of the Authority exceeded assets at the close of the most recent fiscal year by \$5.5 million primarily due to a new bond issuance.

- The Authority's total net position decreased by \$77 thousand during the current fiscal year.
- At the end of the current fiscal year, developer reimbursements totaled \$2.7 million or 75% of the total governmental funds expenditures.
- The Authority issued \$6.9 million in contract revenue bonds during the fiscal year.
- The Authority's governmental funds reported combined ending fund balances of \$5,794,051 as of September 30, 2022. Restricted fund balances include \$962,748 for debt service and \$4,822,742 for capital improvements. The remaining amount in unassigned fund balance of \$8,561 is available for spending at the Authority's discretion.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the increases or decreases in net position and may serve as a useful indicator of whether the financial position of the Authority's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an authority's near-term financing requirements.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 11 of this report.

**EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Comparison in Government-wide Financial Statements**

The following is a comparison of the Authority's net position as of September 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 5,763,380	\$ 1,498,712
Accounts receivable	46,035	
<b>Total Assets</b>	<b>5,809,415</b>	<b>1,498,712</b>
Accounts payable and accrued expenses	15,364	743,500
Long-term liabilities	11,301,401	6,185,330
<b>Total Liabilities</b>	<b>11,316,765</b>	<b>6,928,830</b>
<b>Net Position (Deficit):</b>		
Restricted	5,748,477	569,522
Unrestricted	(11,255,827)	(5,999,640)
<b>Total Net Position (Deficit)</b>	<b>\$ (5,507,350)</b>	<b>\$ (5,430,118)</b>

The following is a comparison of the Authority's changes in net position for the years ended September 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Program revenue		
Operating grants	\$ 514,334	\$ 338,416
General revenues		
Property taxes	1,161,218	886,541
Unrestricted investment earnings	38,895	1,105
<b>Total Revenues</b>	<b>1,714,447</b>	<b>1,226,062</b>
<b>Expenses</b>		
General government	201,398	272,470
Capital outlay on behalf of other entities	963,705	4,513,257
Interest on long-term debt	626,576	431,657
<b>Total Expenses</b>	<b>1,791,679</b>	<b>5,217,384</b>
Increase (decrease) in net position	(77,232)	(3,991,322)
<b>Net Position (Deficit) - Beginning</b>	<b>(5,430,118)</b>	<b>(1,438,796)</b>
<b>Net Position (Deficit) - Ending</b>	<b>\$ (5,507,350)</b>	<b>\$ (5,430,118)</b>

**Debt**

At year-end, the Authority had \$11,264,388 in bonds outstanding including the discount and premium on the bond issuances.

More detailed information about the Authority's long-term liabilities is presented in Note 4 to the financial statements.

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***

#### **Economic Factors**

The Authority receives annual payments from Fort Bend County Water Control and Improvement District No. 2 ("WCID2") and Fort Bend County ("the County"). Those payments are based upon property tax collections by WCID2 and the County. The payments received by the Authority result from the current market value of property used for commercial, retail, and industrial purposes. The market value of such properties is related to general economic conditions in the Fort Bend County area, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for property of this type and the construction of structures thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of commercial property is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the boundaries of the Authority or could adversely impact such values.

**EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY****STATEMENT OF NET POSITION****September 30, 2022**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,763,380
Property taxes receivable	46,035
<b>Total Assets</b>	<u>5,809,415</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	15,364
Accrued interest	37,013
Noncurrent liabilities:	
Due within one year	315,000
Due in more than one year	10,949,388
<b>Total Liabilities</b>	<u>11,316,765</u>
<b>Net Position (Deficit)</b>	
Restricted:	
Improvements / debt service	5,748,477
Unrestricted	(11,255,827)
<b>Total Net Position (Deficit)</b>	<u>\$ (5,507,350)</u>

**EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY****STATEMENT OF ACTIVITIES***For the Year Ended September 30, 2022*

	<b>Governmental Activities</b>
<b>Program Revenue:</b>	
Operating grants and contributions	\$ 514,334
<b>General Revenues:</b>	
Property taxes	1,161,218
Unrestricted investment earnings	38,895
<b>Total General Revenues</b>	<u>1,714,447</u>
<b>Expenses:</b>	
General government	201,398
Capital outlay on behalf of other entities	963,705
Interest on long-term debt	626,576
<b>Total Expenses</b>	<u>1,791,679</u>
Change in net position	(77,232)
<b>Net Position (Deficit) - Beginning</b>	<u>(5,430,118)</u>
<b>Net Position (Deficit) - Ending</b>	<u><u>\$ (5,507,350)</u></u>

# EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY

## BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2022

	General Fund	Defined Area Revenue Fund	381 Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 6,777	\$ 975,537	\$ 502,594	\$ 963,498	\$ 3,314,974	\$ 5,763,380
Accounts receivable	-	46,035	-	-	-	46,035
Due from other funds	17,148	-	-	-	-	17,148
<b>Total Assets</b>	<u>\$ 23,925</u>	<u>\$ 1,021,572</u>	<u>\$ 502,594</u>	<u>\$ 963,498</u>	<u>\$ 3,314,974</u>	<u>\$ 5,826,563</u>
<b>Liabilities</b>						
Accounts payable	\$ 15,019	\$ -	\$ -	\$ -	\$ -	\$ 15,019
Due to other funds	-	6,398	10,000	750	-	17,148
Other payables	345	-	-	-	-	345
<b>Total Liabilities</b>	<u>15,364</u>	<u>6,398</u>	<u>10,000</u>	<u>750</u>	<u>-</u>	<u>32,512</u>
<b>Fund balances:</b>						
Restricted for:						
Debt service	-	-	-	962,748	-	962,748
Improvements	-	1,015,174	492,594	-	3,314,974	4,822,742
Unassigned	8,561	-	-	-	-	8,561
<b>Total Fund Balances</b>	<u>8,561</u>	<u>1,015,174</u>	<u>492,594</u>	<u>962,748</u>	<u>3,314,974</u>	<u>5,794,051</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 23,925</u>	<u>\$ 1,021,572</u>	<u>\$ 502,594</u>	<u>\$ 963,498</u>	<u>\$ 3,314,974</u>	<u>\$ 5,826,563</u>

### RECONCILIATION TO THE STATEMENT OF NET POSITION

**Total Fund Balance, Governmental Funds** \$ 5,794,051

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the Statement of Net Position. These are as follows:

Bonds payable	(11,220,000)
Discount and premiums on bonds payable	(44,388)
Accrued interest	<u>(37,013)</u>

**Net Position of Governmental Activities in the Statement of Net Position** \$ (5,507,350)

**EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	General Fund	Defined Area Revenue Fund	381 Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ -	\$ 1,161,218	\$ -	\$ -	\$ -	\$ 1,161,218
Intergovernmental	-	-	486,513	-	-	486,513
Investment earnings	359	6,521	3,423	27,878	714	38,895
Other Income	27,821	-	-	-	-	27,821
<b>Total Revenues</b>	<b>28,180</b>	<b>1,167,739</b>	<b>489,936</b>	<b>27,878</b>	<b>714</b>	<b>1,714,447</b>
<b>Expenditures</b>						
Current:						
General government	193,107	-	-	-	-	193,107
Capital outlay - payments to developer	-	8,291	-	-	2,723,323	2,731,614
Debt Service:						
Principal	-	-	-	130,000	-	130,000
Interest and other charges	-	-	-	119,885	-	119,885
Bond issuance costs and fees	-	-	-	-	477,684	477,684
<b>Total Expenditures</b>	<b>193,107</b>	<b>8,291</b>	<b>-</b>	<b>249,885</b>	<b>3,201,007</b>	<b>3,652,290</b>
Excess (deficiency) of Revenues over Expenditures	(164,927)	1,159,448	489,936	(222,007)	(3,200,293)	(1,937,843)
<b>Other Financing Sources/(Uses):</b>						
Proceeds from long-term debt	-	-	-	551,000	6,349,000	6,900,000
Bond discount and premium	-	-	-	-	76,682	76,682
Transfers in	200,000	-	-	180,000	-	380,000
Transfers out	-	(180,000)	(200,000)	-	-	(380,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>200,000</b>	<b>(180,000)</b>	<b>(200,000)</b>	<b>731,000</b>	<b>6,425,682</b>	<b>6,976,682</b>
Net change in Fund Balances	35,073	979,448	289,936	508,993	3,225,389	5,038,839
<b>Fund Balances - Beginning of Year</b>	<b>(26,512)</b>	<b>35,726</b>	<b>202,658</b>	<b>453,755</b>	<b>89,585</b>	<b>755,212</b>
<b>Fund Balances - End of Year</b>	<b>\$ 8,561</b>	<b>\$ 1,015,174</b>	<b>\$ 492,594</b>	<b>\$ 962,748</b>	<b>\$ 3,314,974</b>	<b>\$ 5,794,051</b>



**EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2022**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds:	\$ 5,038,839
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, at the government-wide level these transactions have the effect of increasing or decreasing long-term liabilities.

Principal payment of debt	130,000
Proceeds from issuance of debt	(6,900,000)
Discount and premiums are amortized over the life of the bond	(76,682)
Payments to developer	1,759,618

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These are as follows:

Change in interest payable	<u>(29,007)</u>
Change in net position of governmental activities	<u><u>\$ (77,232)</u></u>

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS**

#### **Note 1 - Creation and Nature of Activities**

The Authority is a non-profit local government corporation acting on behalf of Fort Bend County, Texas (the "County"). The Authority was created by the County on August 25, 2015, pursuant to Subchapter D of Chapter 431, Texas Transportation Code, and Article 1396-1.01 of the Texas Non-Profit Corporation Act, to aid and assist the County in the administration, financing, and implementation of the development and construction of the Project (defined herein). On behalf of the County, and in accordance with the Defined Area Financing Agreement (defined below), the Authority is implementing on behalf of the County an economic development program pursuant to Article XVI, Section 52 of the Texas Constitution and is implementing on behalf of WCID2 (defined below) projects within a defined area pursuant to chapters 49 and 51 of the Texas Water Code, each in support of the "Project".

The "Project" consists of approximately 192 acres of land (the "Land") being developed as the GRID, a commercial, multi-family, and retail development on the site of the former campus of Texas Instruments. It is located approximately 15 miles southwest of the central business district of the City of Houston, east of State Highway 59 between Kirkwood Road and West Airport Boulevard. The "Project" lies wholly within the corporate limits of the City of Stafford, Texas (the "City") and the boundaries of Fort Bend Independent School District.

The Texas Commission of Environmental Quality exercises continuing supervisory jurisdiction over the Fort Bend Water Control and Improvement District No.2 ("WCID 2") and the Authority, with regard to issuance of certain debt. The Authority is required to observe certain requirements of the County which limit the purposes for which the Authority may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, roads, parks and recreational facilities, and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the County of Authority construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the Authority's system are subject to the regulatory jurisdiction of additional government agencies.

#### **Chapter 381 Agreement Between the County and the Authority**

The County and the Authority entered into an economic development agreement approved by the County on August 25, 2015, pursuant to Chapter 381 Texas Local Government Code (the "381 Agreement"). Pursuant to the 381 Agreement, the County established a program for the public purposes of promoting economic development and commercial activity within the Project. The Authority is implementing the economic development program on behalf of the County. The Authority is authorized to provide economic assistance from revenues paid to the Authority from County property taxes collected within the Project through tax year 2042. The annual payment to the Authority from the County equals 70% of the County's incremental increase in property taxes collected by the County within the boundaries of the "Project". The tax increment is an amount equal to the current year's property taxes collected by the County within the "Project", less the property taxes collected from the "Project" for tax year 2015.

#### **The Defined Area Tax Revenue**

WCID 2 is a conservation and reclamation district created under Article XVI, Section 59 of the Texas Constitution by Chapter 312, Acts of the 57th Legislature, Regular Session, 1961. The 84th Texas Legislature enacted House Bill 4174 (together with Chapter 312, Acts of the 57th Legislature, Regular Session, 1961, the "WCID 2 Enabling Act"), which created a defined area within WCID 2 consisting of approximately 192 acres (the "Defined Area"). The Defined Area was created for the purpose of financing water, sewer, and drainage facilities, road facilities, and recreational facilities that primarily benefit the Defined Area and do not generally benefit WCID 2 as a whole.

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 1 - Creation and Nature of Activities (continued)**

##### **The Defined Area Tax Revenue (continued)**

At an election held within WCID 2, voters (i) approved the Defined Area Financing Agreement and authorized WCID 2 to levy, assess, and collect unlimited ad valorem taxes on all taxable property within the Defined Area sufficient to make timely payment of all obligations to the Authority under the Defined Area Financing Agreement (the "Defined Area Tax") and (ii) authorized WCID 2 to levy and collect an operations and maintenance tax, not to exceed \$1.50 per \$100 assessed value, on all taxable property within the Defined Area. The Defined Area Tax is in addition to, and exclusive of, WCID 2's ad valorem debt service tax levied on all taxable property within WCID 2 (including the Defined Area). The Defined Area Tax may be levied for the purpose of financing public improvements consisting of certain water, sewer, and drainage facilities, road facilities, and recreational facilities to serve the Defined Area (the "Public Improvements"). WCID 2 has entered into an interlocal agreement with the County for the collection of the Defined Area Tax and remittance of same to the Authority.

##### **The Defined Area Financing Agreement between the Authority and WCID 2**

Under the Defined Area Financing Agreement, WCID 2 is required to remit to the Authority annually an amount equal to the property taxes actually collected and received by WCID 2 from the Defined Area Tax (the "Defined Area Tax Revenue" or the "Contract Payment"). The Defined Area Tax collection and the payment of the Defined Area Tax Revenue to the Authority will continue until such agreement terminates on December 31, 2043, unless otherwise terminated in accordance with the terms of the Defined Area Financing Agreement. The payment to the Authority is absolute and unconditional until such time as the Defined Area Financing Agreement has been terminated.

Pursuant to the Defined Area Financing Agreement, the Defined Area Tax is \$0.515 per \$100 of assessed valuation, which rate may be adjusted higher for the purposes set forth therein, including to prevent a default on the payment of bonds. The Defined Area Tax rate may not be decreased below \$0.515 per \$100 of assessed valuation unless a specific lower rate is approved by the Authority.

The Authority will deposit the payment into the Defined Area Revenue Fund, which must be accounted for independently from other funds of the Authority. The payment and the special revenue fund may only be used to fund certain eligible costs of the Public Improvements to serve the Defined Area (the "Public Improvement Costs"). Certain Public Improvements constructed by the Authority are not eligible to be financed by the Defined Area Tax and the Authority agrees that it will not pledge or apply WCID 2's annual payments for any such purpose. The estimated preliminary cost of the Public Improvement Costs, payable from WCID 2's payment and the Defined Area Revenue Fund, is \$31,289,281, exclusive of debt service, cost of issuance, and interest.

The Authority may issue bonds, secured by WCID 2's annual payment of the Defined Area Tax Revenue and the special revenue fund, and may pledge and assign all or part of the annual payment and the special revenue fund, pursuant to a developer financing agreement between Stafford 59 and Airport LP, successor to 3 MEBS Property Company, LLC (the "Developer") and the Authority.

Public Improvements to serve the Defined Area include public water and sanitary sewer improvements constructed by the Developer and generally accepted for ownership by WCID 2. WCID 2 will not accept any internal private water and sewer improvements (as determined by WCID 2). The Developer will convey the Public Improvements to WCID 2 and may be reimbursed by WCID 2 from the proceeds of a future development.

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 1 - Creation and Nature of Activities (continued)**

##### **Dependence on Principal Taxpayers and the Developer**

Properties whose taxable values total approximately \$207,156,861 or 93.29% of the 2021 Certified Taxable Assessed Valuation of the Defined Area are owned by ten taxpayers. The Developer represents \$41,289,850 or 18.59% of the 2021 Certified Taxable Assessed Valuation of the Defined Area. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by WCID 2 will directly affect WCID 2's ability to make Contract Payments to the Authority and hence for the Authority to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, WCID 2 may need to levy additional taxes for purposes of making Defined Area Tax payments. The Authority has not covenanted in any bond resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the Authority's ability to pay debt service on the Bonds on a current basis.

The Developer has informed the Board that its current plan is to develop its remaining undeveloped Land. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The Authority makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the Defined Area to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The Authority can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner.

##### **Dependence on Personal Property Tax Collections**

Because a majority of the Defined Area's 2021 tax base is comprised of commercial and distribution/warehouse/office facilities, approximately \$38,427,780 or 17.56% of the 2021 Certified Taxable Assessed Valuation of the Defined Area is personal property.

Unlike real property, there is no certainty that personal property will remain in the Defined Area from year to year. Business inventories are portable and could be removed from the Defined Area at any time. Personal property removed from the Defined Area as of January 1 of any year is not subject to taxation by WCID 2 for that year.

If personal property is subject to a lien for unpaid Defined Area Taxes for any year, WCID 2's lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in WCID 2, but to any personal property then or thereafter owned by the taxpayer. However, WCID 2 may not be able to foreclose on personal property located outside the State of Texas and locating and foreclosing on property held outside WCID 2 may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property. Personal property may not be seized, and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years.

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 1 - Creation and Nature of Activities (continued)**

##### **Utility Agreement with WCID 2**

Pursuant to its agreement with WCID2 (the "Utility Agreement"), the Developer is responsible for acquiring and constructing the water distribution, wastewater collection, and drainage facilities and park and recreation facilities to serve development occurring within the Defined Area (the "Defined Area Facilities"), and WCID 2 agrees to provide water supply services and wastewater treatment services to the Authority in consideration of the Authority's financing, acquisition, and construction of the Defined Area Facilities. Under the terms of the Utility Agreement, the Authority is deemed to be the alter ego of WCID 2, and as such, the Authority agrees to act as the alter ego of WCID 2 for purposes of financing, constructing, and acquiring the Facilities, and WCID 2 agrees to perform the duties and functions necessary to provide services to the landowners and customers of the Authority.

*The Defined Area Facilities:* The Utility Agreement provides that the Facilities will be designed and constructed in accordance with WCID 2's requirements and criteria. WCID 2 agrees to provide the Authority with its ultimate requirements for water supply capacity and major offsite water distribution lines to the water source and wastewater treatment capacity and major offsite wastewater trunk collection line capacity to the wastewater treatment plant.

*Authority to Issue Bonds:* The Authority has the authority to issue, sell, and deliver bonds as permitted by law. Bonds issued by the Authority are obligations solely of the Authority and shall not be construed to be obligations or indebtedness of WCID 2.

*Ownership, Operation, and Maintenance of the Facilities:* Upon completion of construction of the Defined Area Facilities, the Authority agrees to convey the Defined Area Facilities (other than park and recreation facilities and storm water detention ponds and related appurtenances as discussed below) to WCID 2, reserving for itself a security interest in the Defined Area Facilities for the purpose of securing the performance of WCID 2 under the Utility Agreement. Pursuant to the terms of the Utility Agreement, storm water detention ponds and related appurtenances are to be operated and maintained by the Authority or the property owners' association(s) within the Authority, although the Authority retains title to same. When all bonds issued by the Authority to acquire and construct the Defined Area Facilities have been issued and subsequently paid or redeemed and discharged in full, the Authority agrees to execute a release of the security interest retained by the Authority, and WCID 2 shall own the Defined Area Facilities without encumbrance. As each phase of the Defined Area Facilities is completed, WCID 2 agrees to inspect the same, and upon approval, to accept the Defined Area Facilities for operation and maintenance. The Defined Area Facilities (other than park and recreation facilities and storm water detention ponds and related appurtenances) will be operated and maintained by WCID 2 at its sole cost and expense. If WCID 2 determines that the Defined Area Facilities or any portion thereof have not been constructed in accordance with approved plans and specifications, prior to accepting such Defined Area Facilities, WCID 2 agrees to notify the Authority, and the Authority shall immediately correct any deficiency noted by WCID 2.

#### **Note 2 - Significant Accounting Policies**

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The Authority does meet criteria for inclusion as a component of the County.

## EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### Note 2 - Significant Accounting Policies (continued)

##### Financial Statement Presentation

In accordance with Governmental Accounting Standards Board, the Authority presents the classification of net position into two components: Restricted and Unrestricted. These classifications are defined as follows:

- **Restricted Assets** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that do not meet the definition of one of the other classifications of net position.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first.

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the Authority as a whole. These statements include activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

##### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax increments are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Property taxes, interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period.

##### Governmental Funds

The Authority has 5 major governmental funds.

##### *General Fund*

The Authority uses the General Fund to record operating and other expenditures and activities not reported in other funds.

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

#### **Note 2 - Significant Accounting Policies (continued)**

##### *Defined Area Revenue Fund*

The fund is used to account for transactions and activities relating to Defined Area Financing Agreement.

##### *381 Revenue Fund*

The fund is used to account for the revenues and expenditures related to the Chapter 381 Agreement.

##### *Debt Service Fund*

The fund is used primarily to account for the payment of interest and principal on the Authority's Contract Revenue Road Bonds.

##### *Capital Projects Fund*

The fund is used to account for the proceeds from Contract Revenue Road Bonds.

#### **Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### **Capital Assets**

Normally, capital assets are reported as assets in the government-wide Statement of Net Position. Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation is not recorded on items classified as construction in progress. Depreciation expense is reported in the government-wide Statement of Activities. As of September 30, 2022, the Authority has no capital assets, as capital assets are transferred to the County, the City or WCID 2.

#### **Budgeting**

The Authority's Board of Directors annually adopt a spending plan for the Authority's general fund and each individual funds. These spending plans are not considered to be appropriation style budgets.

#### **Fund Balances**

The Authority reports the fund balance of various funds in a hierarchy of classifications based on the constraints imposed on the uses of those resources. The fund balances for governmental funds consist of the following:

Restricted fund balance includes amounts that are restricted for specific purposes stipulated by external resource providers and creditors, constitutionally or through enabling legislation. Fund balance in the funds are restricted for debt service and for capital projects. Portions of the amounts restricted for the latter have been identified by the Authority for improvements and debt service.

Unassigned fund balances represent available balances for the Authority's future use.

**EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**Note 2 - Significant Accounting Policies (continued)**

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Note 3 - Deposits and Investments**

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas requires that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At September 30, 2022, none of the Authority's bank balances were exposed to custodial credit risk.

Local government investment pools in Texas are required to be rated AAAM, or equivalent, by at least one nationally recognized rating agency. The Authority's policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	<b>Amounts</b>	<b>Weighted Average Maturity (Days)</b>
Cash in Checking Account	\$ 6,777	N/A
Cash in Local Government Investment Pool:		
TexPool	5,756,603	24
<b>Total Cash and Cash Equivalents</b>	<u>\$ 5,763,380</u>	

**Note 4 - Bonded Debt**

In September 2022, The Authority's Board of Directors issued \$6,900,000 Contract Revenue Road Bonds, Series 2022 (the "Bonds"). The Bonds issued, are fully registered bonds maturing in the years and in the amounts shown on the cover page hereof. Interest on the Bonds accrues from September 1, 2022 and is payable on March 1, 2023 (six months of interest), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. Proceeds from the sale of the Bonds will be used to pay for infrastructure including (i) paying for Public Improvement Costs consisting of water, sewer and drainage facilities; (ii) funding the Reserve Requirement; and (iii) paying the costs of issuance of the Bonds.

The Bonds are the second series of bonds issued by the Authority pursuant to the Defined Area Financing Agreement. The Authority is authorized by the Defined Area Financing Agreement to issue bonds for the purpose of paying for Public Improvements to serve the Defined Area, including water, sewer, drainage, park and recreational facilities, and road improvements, and to refund such bonds.



# EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Note 4 - Bonded Debt (continued)

The following is a summary of long-term debt transactions for the Authority for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Interest Accrual</u>
Contract Revenue Road Bonds, Series 2020	\$ 4,450,000	\$ -	\$ (130,000)	\$ 4,320,000	\$ 135,000	\$ 9,375
Contract Revenue Road Bonds, Series 2022	-	6,900,000	-	6,900,000	180,000	27,638
Discount	(33,832)	-	1,538	(32,294)	-	-
Premium	-	76,682	-	76,682	-	-
<b>Total</b>	<u>\$ 4,416,168</u>	<u>\$ 6,976,682</u>	<u>\$ (128,462)</u>	<u>\$ 11,264,388</u>	<u>\$ 315,000</u>	<u>\$ 37,013</u>

The debt service requirements on bonds outstanding at September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 315,000	\$ 462,023	\$ 777,023
2024	355,000	450,660	805,660
2025	370,000	437,285	807,285
2026	385,000	423,135	808,135
2027	405,000	408,385	813,385
2028 - 2032	2,285,000	1,791,110	4,076,110
2033 - 2037	2,825,000	1,282,860	4,107,860
2038 - 2042	3,490,000	630,340	4,120,340
2043 - 2047	790,000	33,895	823,895
	<u>\$ 11,220,000</u>	<u>\$ 5,919,693</u>	<u>\$ 17,139,693</u>

### Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from accounts payable and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more governmental funds. Amounts due to/from other funds at September 30, 2022, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Funds</b>		
General fund	\$ 17,148	\$ -
Defined area revenue fund	-	6,398
Debt service fund	-	750
381 revenue fund	-	10,000
<b>Total Governmental Funds</b>	<u>17,148</u>	<u>17,148</u>
<b>Total - All Funds</b>	<u>\$ 17,148</u>	<u>\$ 17,148</u>

During the year, the Authority made transfers from the Defined Area Tax Fund of \$180,000 to the Debt Service Fund and the 381 Agreement Fund of \$200,000 to the General Fund to cover operating expenditures.

## **EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY**

### ***NOTES TO FINANCIAL STATEMENTS (CONTINUED)***

#### **Note 6 - Paid to Developers**

Construction of the Authority's capital assets is financed through prefunding agreements with the Authority's developers. The Authority will reimburse its developers through the issuance of bonds or other resources. The Authority recognizes the liability associated with developer construction at such time as developer costs have been submitted for reimbursement and verified. As of September 30, 2022 there were no liabilities associated with developer construction.

During fiscal year 2022, the Authority reimbursed the developer \$700 thousand from cash reserves in October 2021 and \$2.7 million from bond proceeds in September 2022, including interest.

#### **Note 7 - Project and Financing Plan**

The Defined Area is being developed as the GRID, a commercial and multi-family residential development (the "Project") on the site of the former Texas Instruments campus located approximately 15 miles southwest of the central business district of the City of Houston, east of U.S. Highway 59 between Kirkwood Road and West Airport Boulevard. The Project lies wholly within the corporate limits of the City of Stafford, Texas and the boundaries of Fort Bend Independent School District. The Authority and WCID 2 approved the Defined Area Financing Agreement, effective as of October 19, 2016 which sets forth the Public Improvements required to serve the Project within the Defined Area. The costs associated with the Public Improvements are expected to be financed through the issuance by the Authority of Contract Revenue Bonds.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# EAST FORT BEND COUNTY DEVELOPMENT AUTHORITY

## BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 359	\$ 359
Miscellaneous	-	-	27,821	27,821
<b>Total Revenues</b>	-	-	28,180	28,180
<b>Expenditures</b>				
Current:				
General government				
Director ees	9,000	9,000	8,250	750
Legal fees - Construction	-	-	3,148	(3,148)
Legal fees - General	60,500	60,500	60,455	45
Auditing fees	18,500	18,500	15,990	2,510
Engineering fees - General	20,000	20,000	11,208	8,792
Engineering fees - Construction	50,000	50,000	51,715	(1,715)
Payroll tax expenses	700	700	631	69
Bookkeeping fees	13,000	13,000	12,974	26
Printing & Office supplies	1,400	1,400	2,020	(620)
Insurance	7,600	7,600	6,457	1,143
Travel & Expenses	5,000	5,000	2,959	2,041
Other office expenses	5,000	5,000	-	5,000
Dues	700	700	700	-
Detention pond maint	16,900	16,900	16,600	300
<b>Total Expenditures</b>	208,300	208,300	193,107	15,193
Excess (deficiency) of revenues over expenditures	(208,300)	(208,300)	(164,927)	(43,373)
<b>Other Financing Sources (Uses)</b>				
Transfers in	208,300	208,300	200,000	(8,300)
<b>Total Other Financing Sources (Uses)</b>	208,300	208,300	200,000	(8,300)
Net change in fund balance	-	-	35,073	35,073
<b>Fund Balances - Beginning of Year</b>	(26,512)	(26,512)	(26,512)	-
<b>Fund Balances - End of Year</b>	<u>\$ (26,512)</u>	<u>\$ (26,512)</u>	<u>\$ 8,561</u>	<u>\$ 35,073</u>