

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 30, 2024

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 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. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Authority will designate the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE — BOOK-ENTRY-ONLY

NOT RATED

\$3,370,000*

SOUTH MANVEL DEVELOPMENT AUTHORITY

(A public not-for-profit local government corporation acting on behalf of the City of Manvel, Texas)

TAX INCREMENT CONTRACT REVENUE BONDS

SERIES 2024

Dated Date: December 1, 2024

Interest Accrual Date: Delivery Date

Due: April 1, as shown on the inside cover

South Manvel Development Authority, a public non-profit local government corporation (the “*Authority*”), was established by the City of Manvel, Texas (the “*City*”) to aid, assist, and act on behalf of the City in the performance of the City’s governmental functions to promote the common good and general welfare of the area included within Reinvestment Zone Number Three, City of Manvel, Texas (the “*Zone*”) and neighboring areas. The Zone, which was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the “*TIF Act*”), is an area of approximately 2,403.78 acres located within the boundaries of the City south of State Highway 6 and west of FM 1128. Approximately 1,662 acres within the Zone are being developed as a portion of the master planned community of Meridiana, a residential, commercial and mixed-used development located within the Zone and the neighboring City of Iowa Colony, Texas.

Interest on the South Manvel Development Authority Tax Increment Contract Revenue Bonds, Series 2024 (the “*Bonds*”) accrues from the Delivery Date (defined below) of the Bonds to the underwriter named below (the “*Underwriter*”) and is payable each April 1 and October 1, commencing April 1, 2025, until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will initially be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“*DTC*”), pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, Wilmington Trust, National Association to Cede & Co., which will make distribution of the amounts so paid to DTC’s participants, which will make distributions of such amounts to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System” herein.

The Bonds are being issued pursuant to the terms and conditions of a City resolution approving the issuance of the Bonds, a bond resolution approved by the Board of Directors of the Authority on November 13, 2024 (the “*Bond Resolution*”) and an Indenture of Trust dated as of December 6, 2023 (the “*Indenture*”), between the Authority and Wilmington Trust, National Association, a national banking association, as trustee (the “*Trustee*”). The Bonds are the second series of bonds to be issued under the Indenture. All parity bonds issued under the Indenture, including the Authority’s Tax Increment Contract Revenue Bonds, Series 2023 (the “*Prior Bonds*”), the Bonds and any subsequent parity bonds (collectively, the “*Contract Revenue Bonds*”), are payable equally and ratably from the Contract Tax Increments (as defined herein).

In the Indenture, the Authority has pledged the Contract Tax Increments to payment of the Contract Revenue Bonds. The Contract Revenue Bonds are payable solely from the Contract Tax Increments, the Authority’s rights under certain contracts to the Contract Tax Increments, money deposited or required to be deposited in certain accounts created under the Indenture, and earnings and investments thereon (the “*Pledged Revenues*”). See “SOURCE OF AND SECURITY FOR PAYMENT—Pledged Revenues.”

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES, AND ARE NOT OBLIGATIONS OF THE CITY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY. THE CITY’S OBLIGATION TO DEPOSIT SALES AND USE TAXES INTO THE TAX INCREMENT FUND PURSUANT TO THE TRI-PARTY AGREEMENT OR TO MAKE PAYMENTS FROM SALES AND USE TAXES IS NOT A GENERAL OBLIGATION OF THE CITY AND DOES NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY.

THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF THE CITY, BRAZORIA COUNTY, TEXAS, THE STATE OF TEXAS, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE OF TEXAS. THE CITY IS NOT OBLIGATED TO MAKE PAYMENTS ON THE BONDS. THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY TAXES OR ASSESS FEES FOR ANY PURPOSE, INCLUDING PAYMENT OF THE BONDS. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT RISKS DESCRIBED HEREIN. SEE “RISK FACTORS.”

See MATURITY SCHEDULE on the inside front cover

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, 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, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the Authority by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Certain matters will be passed upon on behalf of the Underwriter by McCall Parkhurst & Horton L.L.P., Dallas, Texas, Underwriter’s Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 11, 2024 (“*Delivery Date*”).

FMSBONDS, INC.

* Preliminary, subject to change.

\$3,370,000*

SOUTH MANVEL DEVELOPMENT AUTHORITY
(A public not-for-profit local government corporation acting on behalf of the City of Manvel, Texas)
TAX INCREMENT CONTRACT REVENUE BONDS
SERIES 2024

MATURITY SCHEDULE*
(Interest accrues from the Delivery Date)

<u>Maturity Date^(a)</u> <u>(April 1)</u>	<u>Principal Amount</u>	<u>CUSIP Number^(b)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield^(c)</u>	<u>Maturity Date^(a)</u> <u>(April 1)</u>	<u>Principal Amount</u>	<u>CUSIP Number^(b)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield^(c)</u>
2026	\$105,000				2039	\$140,000			
2027	110,000				2040	145,000			
2028	115,000				2041	155,000			
2029	120,000				2042	160,000			
2030	130,000				2043	170,000			
2031	95,000				2044	140,000			
2032	100,000				2045	145,000			
2033	105,000				2046	150,000			
2034	110,000				2047	160,000			
2035	115,000				2048	165,000			
2036	120,000				2049	175,000			
2037	125,000				2050	185,000			
2038	130,000								

- (a) The Bonds maturing on or after April 1, _____ are subject to redemption in whole or from time to time in part, at the option of the Authority, on April 1, _____, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Underwriter may combine maturities into one or more term bonds, which will be subject to mandatory sinking fund redemption and will be described in the final Official Statement. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CGS. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only.. None of the Authority, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.

*Preliminary, subject to change

BOARD OF DIRECTORS

SOUTH MANVEL DEVELOPMENT AUTHORITY^(a)

<u>Name</u>	<u>Position</u>	<u>Appointed By:</u>	<u>Title/Office</u>
Mayor Dan Davis	1	City	Chairperson
Nicole Mitchell	2	City	Secretary
Kim Bickham	3	City	Vice Chairperson
Rosa Donaire	4	City	Director
Melody Hanson	5	City	Director

- (a) The Authority’s by-laws, which were approved in the resolution of the City creating the Authority, provide that the members of its board of directors (the “*Board*”) would be appointed by position to the Board by the Mayor of the City with the consent and approval of the City Council of the City.

Professional Consultants

Financial Advisor *Hilltop Securities Inc.*
Bond Counsel *Allen Boone Humphries Robinson LLP*
Disclosure Counsel *Norton Rose Fulbright US LLP*

For further information, contact:

Rosa Donaire
City of Manvel
Director of Finance
20025 Highway 6
Manvel, Texas 77578
Phone: 281.489.0630

Joe Morrow
Hilltop Securities Inc.
700 Milam Street, Suite 1200
Houston, Texas 77002
Phone: 713.654.8690

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT	iv	Specific Flood Type Risks	10
SALE AND DISTRIBUTION OF THE BONDS	v	Atlas 14	11
The Underwriter	v	Limited Remedies After Default	11
Prices and Marketability	v	Risk of Bankruptcy	11
Securities Laws	v	Risk of Increased Debt	11
FORWARD-LOOKING STATEMENTS	v	Dependence on Contract Performance	12
RELIANCE ON PAST FINANCIAL PERFORMANCE	vi	Risk of Higher Priority Debt	12
OFFICIAL STATEMENT SUMMARY	vii	Failure to Generate Sufficient Contract Tax Increments Prior to Termination of the Zone	12
Creation and Development of the Zone	vii	Risk of Reduction in County Participation in the Zone	12
The Bonds	viii	Risk of Failure to Comply with Certain Covenants	13
Security and Source of Payment	ix	Risk of IRS Audit of the Bonds	13
Schedule 1: Selected Financial Information Based on 2024 Certified Value (unaudited)	xi	Changes in Tax Legislation	13
Schedule 1A: Selected Financial Information Based on July 1, 2024 Estimate of Value (unaudited) ..	xiii	Changes in Tax Increment Legislation	13
PRELIMINARY OFFICIAL STATEMENT	1	Limited Marketability of the Bonds	13
SOURCE OF AND SECURITY FOR PAYMENT	1	No Rating	13
General	1	Reliance on Debt Service Reserve Fund and Possible Use of Reserve Fund Surety Policy	13
General Statutory Requirements for Tax Increment Zones	1	Air Quality Concerns	14
Establishment of the Zone: Participants	2	THE BONDS	15
County’s Interlocal Agreement with Respect to Property Tax Increments	2	Description	15
Calculation of Property Tax Increments	3	Authority for Issuance	15
Collection of Tax Increments	3	Book-Entry-Only System	15
City Costs Paid Prior to Debt Service on the Contract Revenue Bonds	4	Method of Payment of Principal and Interest	17
Tax Increments Reserved for Payment of Debt Service on the Contract Revenue Bonds	5	Redemption Provisions	17
Pledge of Revenues	5	Notice of Redemption	18
Debt Service Reserve Fund	5	Registration and Transfer	18
Additional Parity Bonds	6	Replacement of Paying Agent/Registrar	19
USE AND DISTRIBUTION OF BOND PROCEEDS	7	Lost, Stolen or Destroyed Bonds	19
RISK FACTORS	7	Legal Investment and Eligibility to Secure Public Funds in Texas	19
Limited Obligations	7	Defeasance	19
Impact of Economic Conditions	8	THE INDENTURE	20
Exposure to Oil and Gas Industry	8	The Funds	20
Nature of Residential Housing Market	8	Events of Default	21
Future Taxable Values in the Zone May Decline	8	Remedies	21
Dependence on Developer and Major Taxpayers	9	Limitation on Action by Owners	21
Development Risk	9	Amendments to the Indenture of Trust	21
Tax Rates Are Likely to Decline and Collection Rates May Decline	9	Removal or Resignation of Trustee	22
Limitations on Tax Collections and Foreclosure Remedies	10	Appointment of Successor Trustee	23
Recent Extreme Weather Events; Hurricanes	10	THE DEVELOPMENT PLAN	23
		The City	23
		The Zone	23
		The Authority	23
		Brazoria County Municipal Utility Districts No. 56 and 57	24
		Tri-Party Agreement	24
		Project Plan and Financing Plan	25
		Development Financing Agreement with the Developer	26

TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>		
Shared Financing Agreement with the Districts	27	Tax Payment Installments after Disaster	43
STATUS OF DEVELOPMENT	28	Effect of FIRREA on Tax Collections	44
Conditions at Creation of the Zone	28	SALES AND USE TAX COLLECTION	
Development from Inception to Present	28	PROCEDURES	44
The Major Property Owner and the Developer	29	LEGAL MATTERS	45
Land Use Regulations	30	Legal Proceedings	45
The Road System	30	No-Litigation Certificate	46
The Utility System	30	TAX MATTERS	46
Drainage and Flood Plain	31	Tax Accounting Treatment of Original Issue Discount	
FINANCIAL INFORMATION	32	Bonds	47
Schedule 2: Pro Forma Debt Service Requirements ...	32	Qualified Tax-Exempt Obligations	48
Schedule 3: Historic Debt Service Coverage	33	NO MUNICIPAL BOND INSURANCE	48
Plans to Issue Additional Parity Bonds	33	NO MUNICIPAL BOND RATING	48
Investment Policy	33	CONTINUING DISCLOSURE OF INFORMATION	48
Schedule 4: Property Tax Increment Collections	36	Annual Reports	49
Schedule 5: Breakdown of Taxable Assessed Value		Specified Event Notices	49
by Category Based on City Taxable Assessed		Availability of Information from MSRB	50
Valuations	36	Limitations and Amendments	50
Schedule 6: Principal Taxpayers in the Zone	37	Compliance with Prior Undertakings	50
Schedule 7: Estimated Overlapping Taxes	37	PREPARATION OF OFFICIAL STATEMENT	50
TAXING PROCEDURES OF THE		Sources and Compilation of Information	50
PARTICIPANTS	38	Financial Advisor	51
Authority to Levy Taxes	38	Audited Financial Statements	51
Property Tax Code and County-Wide Appraisal		MISCELLANEOUS	51
District	38	APPENDIX A – BOUNDARY MAP	A-1
Property Subject to Taxation by the Participants	38	APPENDIX B—ANNUAL FINANCIAL REPORT OF	
Property Tax Code As Applied to the City and		THE CITY	B-1
County	39	APPENDIX C – PROPOSED FORM OF LEGAL	
Valuation of Property for Taxation	39	OPINION OF BOND COUNSEL	C-1
Reappraisal of Property after Disaster	40		
Taxpayer Remedies	40		
State Law Limitations on Setting the Annual Tax			
Rate	41		
Collection of Taxes	43		
Participant’s Rights in the Event of Tax			
Delinquencies	43		

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “*Rule*”), as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the Authority as of the date hereof except for the omission of no more than the information permitted by the Rule.

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.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter 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 either of the foregoing.

All of the summaries of the statutes, financing documents, resolutions, contracts, engineering and other related reports referenced or described 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 the Authority, c/o Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Neither the Authority nor the Underwriter makes any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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 any purposes.

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements. See “FORWARD-LOOKING STATEMENTS” herein.

Wilmington Trust, National Association, a national banking association, as Trustee, has not reviewed, provided or undertaken to determine the accuracy of any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to any matters contained in this Official Statement, including, but not limited to, (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax-exempt status of the Bonds.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased, subject to certain conditions, pursuant to a bond purchase agreement (the “*Bond Purchase Agreement*”) between the Authority and FMSbonds, Inc. (the “*Underwriter*”) at a purchase price of \$ _____ (which represents the principal amount of the Bonds, plus [net] original issue premium of \$ _____, less an underwriter’s discount of \$ _____). The Underwriter’s obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. Subject to certain conditions contained in the Bond Purchase Agreement, Bonds may be offered and sold to certain dealers and others at prices lower than public offering prices or yields greater than the initial reoffering yields shown on the inside cover page, and such public prices and yields may be changed from time to time by the Underwriter in their sole discretion. See “—Prices and Marketability” below.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the Authority of a certificate executed and delivered by the Underwriter on or before the Delivery Date stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the Authority has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices lower than the initial offering prices or yields greater than the initial reoffering yields shown on the inside cover page, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which 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 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 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 United States 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.

FORWARD-LOOKING STATEMENTS

This Official Statement contains, in part, forward-looking statements and projections, as well as 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. Forward-looking statements and projections may be affected by known and unknown risks, uncertainties and other

factors which may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Investors are cautioned that actual results could differ materially from those set forth in the forward-looking statements.

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, the Zone, or other matters described herein since the date hereof.

RELIANCE ON PAST FINANCIAL PERFORMANCE

Past financial performance does not necessarily predict future performance, which may be affected by numerous anticipated and unanticipated conditions which did not exist at the time of the prior financial performance. **The financial and operating data contained herein are as of the date and for the periods described. They are not necessarily indicative of the Authority's future financial condition.**

[The remainder of this page intentionally left blank]

OFFICIAL STATEMENT SUMMARY

This Official Statement Summary is subject in all respects to the more complete information and to the definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this summary statement from this Official Statement or to otherwise use it without the entire Official Statement.

Creation and Development of the Zone

Reinvestment Zone Number Three, City of Manvel, Texas

Reinvestment Zone Number Three, City of Manvel, Texas (the “Zone”) was created by the City Council of the City of Manvel, Texas (the “City”), pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended (the “TIF Act”), to promote the redevelopment of the land within the boundaries of the Zone.

Pursuant to the TIF Act, the ordinance of the City establishing the Zone also established a board of directors of the Zone (the “Zone Board”). Four members of the Zone Board are appointed by the City and one member of the Zone Board is appointed by Brazoria County, Texas.

Pursuant to the ordinance of the City establishing the Zone, the Zone will terminate on December 31, 2050.

The Zone consists of approximately 2,403.78 acres of land within the City.

See “THE DEVELOPMENT PLAN—The Zone.”

Project and Financing Plans

As required under the TIF Act, the Zone Board adopted, and the City Council of the City approved, a Project Plan (the “Project Plan”) and a Reinvestment Zone Financing Plan (the “Financing Plan” and collectively with the Project Plan, the “Plans”).

The Plans set out the public improvements that are needed to induce development within the Zone (the “Public Improvements”). The cost of the Public Improvements, the cost of creation of the Zone, and related organizational costs (the “Project Costs”) constitute eligible project costs under the TIF Act.

The Financing Plan states that the Project Costs will be advance funded by the Developer (as defined herein) or incurred directly by the Zone. If Project Costs are advance funded by the Developer, the Zone expects to reimburse the Developer by a combination of tax-exempt bonds and cash reimbursements.

Status of Development

Approximately 1,662 acres of land within the Zone are being developed as a portion of Meridiana, a master planned community. As of October 1, 2024, there were 1,472 platted lots, 928 completed homes, 93 homes under construction and 451 vacant developed lots in the Zone. At full build-out, the portion of Meridiana located within the Zone is anticipated to include 3,759 single-family homes and town homes.

In addition to the portion of the Zone being developed as Meridiana, the Zone contains approximately 741 acres adjacent to the extension of McCoy Road (Meridiana Parkway) south of State Highway 6 containing various light manufacturing, retail and civic facilities.

The master planned community of Meridiana consists of approximately 2,769 acres of land and is located within the City of Iowa Colony, the City of Alvin, and the Zone. Development activities are now occurring in both the City of Iowa Colony (as of July 31, 2024, 1,846 completed homes) and the Zone. At full build-out, Meridiana is expected to include approximately 6,202 homes as well as commercial and mixed-use development.

For a more detailed description of the status of development within the Zone and the master planned community of Meridiana, see “STATUS OF DEVELOPMENT.”

The Developer

GR-M1 LTD, a Texas limited partnership (the “Developer”), was formed for the sole purpose of acquiring and holding for investment and sale tracts of land within the area being developed as Meridiana. Its development activities are conducted through Rise Communities, LLC, a limited liability company, under a contract with the Developer. The Developer and Rise Communities, LLC have common ownership.

The Bonds

<i>The Authority</i>	<p>South Manvel Development Authority (the “<i>Authority</i>”), a public not-for-profit local government corporation, was authorized to be established by the City in 2011 to aid, assist, and act on behalf of the City in the performance of the City’s governmental functions to promote the common good and general welfare of the area included in the Zone and neighboring areas and to promote, develop, encourage and maintain housing, educational facilities, employment, commerce and economic development in the City. Pursuant to an agreement among the City, the Zone and the Authority (the “<i>Tri-Party Agreement</i>”), the Authority provides services to the Zone and is authorized to issue bonds payable from Contract Tax Increments (as defined herein) derived from the Zone and transferred to the Authority.</p> <p>The Authority is governed by a board of directors (the “<i>Board</i>”), whose members are appointed by the Mayor of the City with the consent and approval of the City Council of the City.</p>
<i>Description</i>	<p>The South Manvel Development Authority Tax Increment Contract Revenue Bonds, Series 2024 (the “<i>Bonds</i>”) are issued in the aggregate principal amount of \$3,370,000.* The Bonds are offered in fully registered form in integral multiples of \$5,000 principal amount. Interest on the Bonds accrues from the Delivery Date of the Bonds and is payable on each April 1 and October 1, commencing April 1, 2025, until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. See “THE BONDS – Description.”</p>
<i>Authority for Issuance</i>	<p>The Bonds are issued by the Authority under the terms of a resolution adopted by the City Council of the City and pursuant to the terms and conditions of a Bond Resolution approved by the Board (the “<i>Bond Resolution</i>”) and an Indenture of Trust (the “<i>Indenture</i>”) between the Authority and Wilmington Trust, National Association, as trustee (the “<i>Trustee</i>”).</p>
<i>Book-Entry Only</i>	<p>The Depository Trust Company, New York, New York (“<i>DTC</i>”) 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.</p>
<i>Redemption</i>	<p>The Bonds maturing on or after April 1, 20__ are subject to redemption in whole, or from time to time in part, at the option of the Authority prior to their maturity dates on April 1, 20__ or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Underwriter may also combine maturities into one or more term bonds, which will be subject to mandatory sinking fund redemption, and will be described in the final Official Statement. See “THE BONDS—Redemption Provisions.”</p>
<i>Use of Proceeds</i>	<p>Proceeds of the Bonds will be used for the purposes of (1) reimbursing the Developer for certain Project Costs in accordance with the Project Plan; (2) funding the Reserve Requirement (as defined herein) for the Debt Service Reserve Fund; and (3) paying costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”</p> <p>The Project Costs to be reimbursed consist of road facilities. See “THE DEVELOPMENT PLAN—Project Plan and Financing Plan.”</p>
<i>Payment Record</i>	<p>The Bonds are the second series of Contract Revenue Bonds issued by the Authority. The Authority has not defaulted on its previously issued debt.</p>

*Preliminary, subject to change.

Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations.

No Municipal Bond Rating or Municipal Bond Insurance

The Authority has not applied for, nor would it expect to receive, an investment grade municipal bond rating or municipal bond guaranty insurance on the Bonds. THE BONDS ARE NOT RATED BY ANY RATING SERVICE.

Security and Source of Payment

Tax Increments

The City has agreed to deposit to the Tax Increment Fund established for the Zone in the City’s Treasury (the “*Tax Increment Fund*”) 100% of its tax collections resulting from its taxation of the increase, if any, in the appraised value of real property located in the Zone since the base year of 2010, commencing with taxes collected in tax year 2011 and continuing through the term of the Zone.

Brazoria County, Texas (the “*County*”) has agreed pursuant to an interlocal agreement with the City and the Zone (the “*Interlocal Agreement*”) and subject to certain limitations, to transfer to the City for deposit to the Tax Increment Fund 40.49% of tax collections arising from its taxation of the increase, if any, in the appraised taxable value of certain real property located in the Zone since the base year of 2010, commencing with taxes due in 2013 from taxes levied for the 2012 tax year and continuing for a period of thirty years from the date of the first payment.

The property taxes deposited to the Tax Increment Fund by the City and County or either of them are referred to herein as “*Property Tax Increments*.”

The City has also agreed to deposit to the Tax Increment Fund 50% of the 1% sales and use taxes generated and attributable to the Zone and collected by the City above the amount of City sales and use taxes attributable to the Zone for the year 2010 (the “*Sales Tax Increments*”).

The Property Tax Increments and Sales Tax Increments are referred to herein as “*Tax Increments*.”

Contract Tax Increments

The Tri-Party Agreement sets forth, among other things, the agreement of the City, on behalf of itself and the Zone, to pay to the Authority at least twice per year the Tax Increments deposited to the Tax Increment Fund, less any expenses incurred by the City in connection with collection of such taxes and any amount retained pursuant to the provisions of the Tri-Party Agreement, including amounts retained by or distributed back to the City for costs of service as described in the Financing Plan. Such amounts are to be deposited to the Authority’s Revenue Fund.

Pursuant to the Tri-Party Agreement, the Authority will use the moneys in the Revenue Fund for the payment of its obligations in the following order: (i) first reserving the funds necessary to pay the reasonable operation and administrative expenses of the Authority, the Zone and the City to implement the Project Plan for the ensuing twelve-month period, (ii) second reserving the funds necessary to make any payments on the Contract Revenue Bonds for the ensuing twelve-month period, (iii) third making the payments required pursuant to the Shared Financing Agreement (as defined herein), and (iv) fourth making payments on obligations owed developers or builders.

The Authority will covenant in the Bond Resolution and Indenture to transfer the Tax Increments reserved to make payments on the Contract Revenue Bonds to the Trustee promptly following receipt. The funds transferred to the Trustee by the Authority are referred to herein as “*Contract Tax Increments*.” See “SOURCE OF AND SECURITY

FOR PAYMENT—Tax Increments Reserved for Payment of Debt Service on the Contract Revenue Bonds.”

Pledged Revenues

The Authority has pledged the Contract Tax Increments, the Authority’s rights to the Contract Tax Increments under the Tri-Party Agreement and the Interlocal Agreement, money deposited or required to be deposited in certain accounts created under the Indenture, and earnings and investments thereon (the “*Pledged Revenues*”) to payment of the Bonds and any Additional Parity Bonds under the Indenture (collectively, the “*Contract Revenue Bonds*”).

If the Trustee has on deposit Contract Tax Increments necessary to make payments on the Contract Revenue Bonds for the ensuing twelve-month period, the Debt Service Reserve Fund is fully funded, and the Trustee’s and Paying Agent/Registrar’s fees are paid, the Trustee will remit any surplus Contract Tax Increments into the Surplus Fund held by the Authority. Upon the Trustee’s transfer of such surplus Contract Tax Increments to the Surplus Fund, such amounts are no longer pledged to the payment of the Contract Revenue Bonds and are not included in the definition of “Pledged Revenues.”

The Contract Revenue Bonds are payable solely from the Pledged Revenues.

The Bonds are being issued under the Indenture and are secured on an equal and ratable basis with the Authority’s Tax Increment Contract Revenue Bonds, Series 2023 (the “*Prior Bonds*”), and all Additional Parity Bonds issued under the Indenture. See “THE INDENTURE.”

Additional Bonds

The Authority has reserved the right to issue additional bonds payable from the Pledged Revenues, on a parity with, or subordinate to, the outstanding Contract Revenue Bonds, but only on the terms and conditions set out in the Indenture, including a debt service coverage test for Additional Parity Bonds.

Additional Bonds require approval of the Zone Board and the City. See “SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds.”

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES, AND ARE NOT OBLIGATIONS OF THE CITY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY. THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF 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. THE CITY IS NOT OBLIGATED TO MAKE PAYMENTS ON THE BONDS.

Risk Factors

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

Schedule 1: Selected Financial Information Based on 2024 Certified Value (unaudited)

	<u>City</u>	<u>General County</u>	<u>County Road & Bridge</u>
2024 Certified Taxable Value (a)	\$ 379,381,976	\$ 356,437,323	\$ 355,314,657
Tax Increment Base (b)	<u>19,278,686</u>	<u>18,332,233</u>	<u>18,332,233</u>
Captured Appraised Value	\$ 360,103,290	\$ 338,105,090	\$ 336,982,424
Participant's Tax Rate (c)	\$ 0.56000	\$ 0.261625	\$ 0.041921
Tax Rate Used to Produce Contract Tax Increment (d)	0.41295	0.105932	0.016974
Collection Rate (e)	98.00%	98.00%	98.00%
Projected Pledged Property Tax Increment Revenue from 2024 Certified Taxable Value (f)	\$ 1,457,293	\$ 350,998	\$ 56,055
Total Funds			\$ 1,864,346
Less Administrative Costs			<u>\$ (80,000)</u>
Total Pledged Funds (g)			\$ 1,784,346
Direct Outstanding Debt			\$ 17,710,000
The Bonds			<u>\$ 3,370,000</u> *
Total Direct and Outstanding Debt			\$ 21,080,000 *
Fiscal Year 2025 Debt Service Payment			\$ 1,210,907
Average Annual Debt Service (2025 - 2050)			\$ 1,404,441
Maximum Annual Debt Service (2030)			\$ 1,642,035
Coverage of Pledged Tax Increment Revenues to:			
Fiscal Year 2025 Debt Service Payment			1.47
Average Annual Debt Service (2025 - 2050)			1.27
Maximum Annual Debt Service (2030)			1.09
Increment Expiration Date (December 31)	2050	2042	2042
2024 Captured Appraised Value to Certified Taxable Value	94.92%	94.86%	94.84%

(a) The 2024 certified taxable value shown is the certified value provided by the Brazoria County Appraisal District (the "Appraisal District") for the Zone, which includes the value of properties under protest at the Brazoria County Appraisal Review Board (the "Appraisal Review Board") at the value of such properties provided by the owner. As of July 22, 2024, the uncertified properties were valued by the Appraisal District at \$22,578,335 for the City, \$21,037,823 for the County and \$20,960,776 for the Road and Bridge Fund. Certified appraised values are established annually by the Appraisal District for the current year, but are subject to change for a number of years thereafter. The City, the County and the Brazoria County Road and Bridge Fund (the "Road and Bridge Fund") have different exemptions from taxation, which are reflected in such taxable values for each. See "SOURCE OF AND SECURITY FOR PAYMENT—Calculation of Property Tax Increments." See "FINANCIAL INFORMATION—Schedule 4: Property Tax Increment Collections" for the certified values for 2019 through 2024.

(b) The Tax Increment Base for the City, which is the City's taxable value in the Zone in tax year 2010, the year the Zone was created, has been subject to change for a number of years but has been stabilized at \$19,278,686. The Tax Increment Base for the County and the Road and Bridge Fund is identical in that it consists of the County's taxable value in the Zone for tax year 2010. It was subject to change for a number of years but has been stabilized at the figures shown in this Schedule for the last four years.

- (c) See “FINANCIAL INFORMATION—Schedule 4: Property Tax Increment Collections” for the tax rates for 2019 through 2024. The tax rate shown for the City of \$0.5600 is the City’s adopted tax rate for tax year 2024. The tax rate shown for the County is \$0.261625 and the tax rate shown for the Road and Bridge Fund is \$0.041921, for a total of \$0.303546 per \$100 valuation, which is the County’s adopted tax rate for tax year 2024.
- (d) The tax rate used to calculate City Contract Tax Increment is net of the Cost of Service payment made to the City by the Zone to pay for the costs of providing City services incurred as a result of the creation of the Zone and the development of land in the Zone. The tax rate used to calculate the County and the Road and Bridge Fund Contract Tax Increment is 40.49% of the adopted tax rate.
- (e) The collection rate shown for the Zone is an estimate based on historic performance and the actual collection rate may differ. See “RELIANCE ON PAST FINANCIAL PERFORMANCE.” City tax payments are deposited into the General Fund of the City. Once such funds are accounted for and allocated to the Zone, the Property Tax Increment portion of the City tax payments is deposited to the Tax Increment Fund for the Zone. Under the Tri-Party Agreement, the City is required to transfer Property Tax Increments to the Authority twice a year. Under the Interlocal Agreement, the County is required to transfer Property Tax Increments to the Tax Increment Fund by August 1 of each year. Currently transfers are made monthly.
- (f) Projections based on 2024 Certified Taxable Valuation within the Zone, the tax rates of the Participants described in footnote (c), and historic collection percentages.
- (g) The Total Pledged Funds amount included in this Schedule is the sum of the Projected Pledged Property Tax Increment Revenue from the City, the County, and the Road and Bridge Fund. The Sales Tax Increment is approximately \$39,107 for fiscal year ended September 30, 2023 and is not included in this Schedule. Prior fiscal year collections included \$39,655 for 2022, \$34,393 in 2021, \$6,757 in 2020 and \$6,049 in 2019.

*Preliminary, subject to change. See “FINANCIAL INFORMATION—Schedule 2: Pro Forma Debt Service Requirements.”

[The remainder of this page intentionally left blank]

Schedule 1A: Selected Financial Information Based on July 1, 2024 Estimate of Value (unaudited)

	<u>City</u>	<u>General County</u>	<u>County Road & Bridge</u>
July 1, 2024 Estimate of Value (a)	\$ 464,578,650	\$ 439,657,520	\$ 438,740,280
Tax Increment Base (b)	<u>19,278,686</u>	<u>18,332,233</u>	<u>18,332,233</u>
Captured Appraised Value	\$ 445,299,964	\$ 421,325,287	\$ 420,408,047
Participant's Tax Rate (c)	\$ 0.56000	\$ 0.261625	\$ 0.041921
Tax Rate Used to Produce Contract Tax Increment (d)	0.42660	0.105932	0.016974
Collection Rate (e)	98.00%	98.00%	98.00%
Projected Pledged Property Tax Increment Revenue from July 1, 2024 Estimate of Value (f)	\$ 1,861,642	\$ 437,392	\$ 69,932
Total Funds			\$ 2,368,966
Less Administrative Costs			<u>\$ (80,000)</u>
Total Pledged Funds (g)			\$ 2,288,966
Direct Outstanding Debt			\$ 17,100,000
The Bonds			<u>3,370,000</u>
Total Direct and Outstanding Debt			\$ 20,470,000 *
Fiscal Year 2025 Debt Service Payment			\$ 1,210,907
Average Annual Debt Service (2025 - 2050)			\$ 1,404,441
Maximum Annual Debt Service (2030)			\$ 1,642,035
Coverage of Pledged Tax Increment Revenues to:			
Fiscal Year 2025 Debt Service Payment			1.89
Average Annual Debt Service (2025 - 2050)			1.63
Maximum Annual Debt Service (2030)			1.39
Increment Expiration Date (December 31)	2050	2042	2042
2023 Captured Appraised Value to July 1, 2024 Estimate of Value	95.85%	95.83%	95.82%

- (a) At the request of the Authority, the Appraisal District provided an estimate of taxable assessed value in the Zone as of July 1, 2024. The estimate of taxable value in the Zone is prepared by adding the estimated value of improvements constructed from January 1, 2024 through July 1, 2024 to the 2024 Certified Value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. The value of improvements constructed from January 1, 2024 through July 1, 2024 will be reflected in the 2025 certified assessed value. Certified appraised values are established annually by the Appraisal District for the current tax year, but are subject to change for a number of years thereafter. The City, the County and the Road and Bridge Fund have different exemptions from taxation, which affect the taxable value for each taxing jurisdiction. See “SOURCE OF AND SECURITY FOR PAYMENT—Calculation of Property Tax Increments.”
- (b) The Tax Increment Base for the City, which is the City’s taxable value in the Zone in tax year 2010, the year the Zone was created, has been subject to change for a number of years but has been stabilized at \$19,278,686. The Tax Increment Base for the County and the Road and Bridge Fund is identical in that it consists of the County’s taxable value in the Zone for tax year 2010. It has been subject to change for a number of years and has now been stabilized at the figures shown in this Schedule.
- (c) See “FINANCIAL INFORMATION—Schedule 4: Property Tax Increment Collections” for the tax rates for 2019 through 2024. The tax rate shown for the City of \$0.5600 per \$100 valuation is the City’s adopted tax rate for tax year 2024. The tax rate shown for the County of 0.261625 per \$100 valuation is the County’s adopted tax rate for

tax year 2024, and the tax rate shown for the Road and Bridge Fund of \$0.041921 per \$100 valuation is the adopted tax rate for the Road and Bridge Fund for tax year 2024. The actual tax rates set by the City and County for tax year 2025 may differ materially from the rates shown in this Schedule, and any such difference will affect the Pledged Revenues available to pay debt service. For purposes of illustration, each one cent reduction in the City's tax rate from the 2024 tax rate would reduce the projected Pledged Revenues from tax year 2025 by \$43,639 and each one cent reduction from the County's 2024 tax rate would reduce the projected Pledged Revenues from tax year 2025 shown in this Schedule by \$41,289, and each one cent reduction from the Road and Bridge Fund's 2024 tax rate would reduce projected Pledged Revenues from tax year 2025 shown in this Schedule by \$41,200.

- (d) The tax rate used to calculate the City Contract Tax Increment is net of the Cost of Service payment made to the City by the Zone for the costs of providing City services incurred as a result of the creation of the Zone and development of land in the Zone. The tax rate used to calculate the County and the Road and Bridge Fund Contract Tax Increment is 40.49% of the tax rate.
- (e) The collection rate shown for the Zone is an estimate based on historic performance and the actual collection rate may differ. See "FINANCIAL INFORMATION—Schedule 4: Property Tax Increment Collections" for collection rates per tax year. City tax payments are deposited into the General Fund of the City. Once such funds are accounted for and allocated to the Zone, the Property Tax Increment portion of the City tax payments is deposited to the Tax Increment Fund for the Zone. Under the Tri-Party Agreement, the City is required to transfer Property Tax Increments to the Authority twice a year. Under the Interlocal Agreement, the County is required to transfer Property Tax Increments to the Tax Increment Fund by August 1 of each year.
- (f) Projections based on the Estimate of Taxable Value as of July 1, 2024, the tax rates of the Participants described in footnote (c), and historic collection percentages. The final certified values, tax rates adopted by the Participants and tax collection percentages for tax year 2025 are subject to various factors outside the control of the Authority and may vary materially from those used in connection with the projections for tax year 2025.
- (g) The Total Pledged Funds amount included in this Schedule is the sum of the Projected Pledged Property Tax Increment Revenue from the City, the County, and the Road and Bridge Fund. The Sales Tax Increment is approximately \$35,107 for fiscal year ended September 30, 2023 and is not included in this Schedule. Prior fiscal year collections included \$39,655 in 2022, \$34,393 in 2021, \$6,757 in 2020 and \$6,049 in 2019.

*Preliminary, subject to change. See "FINANCIAL INFORMATION—Schedule 2: Pro Forma Debt Service Requirements."

[The remainder of this page intentionally left blank]

PRELIMINARY OFFICIAL STATEMENT

\$3,370,000*

SOUTH MANVEL DEVELOPMENT AUTHORITY

(A public not-for-profit local government corporation acting on behalf of the City of Manvel, Texas)

TAX INCREMENT CONTRACT REVENUE BONDS

SERIES 2024

This Preliminary Official Statement provides certain information in connection with the issuance by South Manvel Development Authority (the “*Authority*”) of its \$3,370,000* Tax Increment Contract Revenue Bonds, Series 2024 (the “*Bonds*”). The Bonds are issued under the terms of a resolution adopted by the City Council of the City of Manvel, Texas (the “*City*”) and pursuant to a bond resolution (the “*Bond Resolution*”) adopted by the Board of Directors of the Authority (the “*Board*”) and the Indenture of Trust between the Authority and Wilmington Trust, National Association, as trustee (the “*Trustee*”), dated as of December 7, 2023 (the “*Indenture*”).

This Official Statement speaks only as to its date and includes descriptions, among others, of the Bonds, the Bond Resolution, the Indenture, and certain other information about the Authority and Reinvestment Zone Number Three, City of Manvel, Texas (the “*Zone*”). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the Authority, c/o Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

SOURCE OF AND SECURITY FOR PAYMENT

General

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

General Statutory Requirements for Tax Increment Zones

A tax increment reinvestment zone under Chapter 311 of the Texas Tax Code (the “*TIF Act*”) may be created by a city or a county, which also approves a project plan and a financing plan for the zone. In the case of a city, the ordinance creating the zone and the project plan and financing plan must provide that the city will deposit its Tax Increments (as defined below) into a tax increment fund established by the city for the zone (the “*Tax Increment Fund*”). Other taxing units which tax property in the zone may agree with the city that they will also deposit a portion of their Tax Increments into the Tax Increment Fund established for the zone.

The amount of a taxing unit’s property tax increment for a year (the “*Property Tax Increment*”) is the amount of property taxes levied and assessed by the taxing unit for that year on the captured appraised value in the zone (as defined below, the “*Captured Appraised Value*”). The Captured Appraised Value of real property taxable by a taxing unit for a year is the total taxable value of all real property taxable by the taxing unit and located in the tax increment reinvestment zone for that year less the total taxable value of all real property taxable by the unit and located in the tax increment reinvestment zone for the year in which the zone was designated as such under the TIF Act (the “*Property Tax Increment Base*”). If the boundaries of a zone are enlarged, the Property Tax Increment Base is increased by the taxable value of the real property added to the zone for the year in which the property was added. If the boundaries of a zone are reduced, the Property Tax Increment Base is reduced by the taxable value of the real property removed from the zone for the year in which the property was originally included in the zone’s boundaries.

The amount of a city’s sales tax increment for a year (the “*Sales Tax Increment*”) is the amount of tax increment generated from the municipal sales and use taxes attributable to the zone in excess of the sales tax base. The “sales tax base” means the amount of municipal sales and use taxes attributable to the zone for the year in which the zone was designated as such under the TIF Act (the “*Sales Tax Increment Base*”).

* Preliminary, subject to change.

The Property Tax Increment and the Sales Tax Increment are collectively referred to herein as “*Tax Increment.*”

The TIF Act provides that each taxing unit is required to pay into the Tax Increment Fund for the zone the collected Tax Increments that it has agreed to pay under its agreement with the city and in accordance with the project plan. The TIF Act provides that the payment is to be made by the 90th day after the later of either the delinquency date for the taxing unit’s property taxes, or the date the city that created the zone submits to the taxing unit an invoice specifying the Tax Increment produced by the taxing unit and the amount the taxing unit is required to pay into the Tax Increment Fund for the zone.

When the Zone was created, the TIF Act provided that a reinvestment zone terminates on the earlier of: (1) the termination date designated in the ordinance designating the zone or an earlier or later date designated by a subsequent ordinance, or (2) the date on which all project costs, tax increment bonds (such as the Bonds) and interest on those bonds, and other obligations have been paid in full. In addition, the TIF Act provides that a reinvestment zone may be terminated if the city that created the zone defeases all of the zone’s tax increment bonds. See “THE BONDS—Defeasance.”

Establishment of the Zone: Participants

Pursuant to City Ordinance No. 2010-O-06, approved May 10, 2010 (the “*City Creation Ordinance*”), the City created the Zone and established the Tax Increment Fund for the Zone as a separate fund in the City treasury. The Zone took effect on the date of passage of the City Creation Ordinance and is scheduled to terminate on December 31, 2050, or at an earlier time designated by subsequent ordinance by the City Council, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs, tax increment bonds, and interest on such bonds have been paid in full.

A total of 2,403.78 acres were designated as the Zone in 2010 (the “*Zone*”). The base tax year for the Zone is 2010.

The Financing Plan provides that the City will contribute 100% of its collected Property Tax Increments arising from the Zone to the Tax Increment Fund during the term of the Zone subject to an annual cost of service payment to the City and 50% of the Sales Tax Increment generated from within the Zone based on the 1% City sales and use tax. The Agreement among the City, the Zone and the Authority dated March 14, 2011 (the “*Tri-Party Agreement*”) sets forth further terms concerning the City’s contribution of Tax Increments to the Zone. See “—Collection of Tax Increments, “—City Costs Paid Prior to Debt Service on the Contract Revenue Bonds, “—Tax Increments Reserved for Payment of Debt Service on the Contract Revenue Bonds” below.

Pursuant to an Interlocal Agreement (the “*Interlocal Agreement*”) among the City, the Zone, and the County, the County has agreed to contribute 40.49% of its collected Property Tax Increments arising from the Zone to the Tax Increment Fund for a period of 30 years, commencing with Property Tax Increments attributable to taxes levied for 2012, subject to the limitations set forth in the Interlocal Agreement. See “SOURCE OF AND SECURITY FOR PAYMENT—County’s Interlocal Agreement with Respect to Property Tax Increments.” **The County’s agreement to participate in the Zone terminates prior to the final maturity of the Bonds.**

The taxing units participating in the Zone (collectively, the “*Participants*” and each a “*Participant*”) are the City and the County. Because the County and the Road and Bridge Fund have slightly different tax exemptions, they are sometimes listed separately. See “TAXING PROCEDURES OF THE PARTICIPANTS—Property Tax Code As Applied to the City and County.”

County’s Interlocal Agreement with Respect to Property Tax Increments

Pursuant to the Interlocal Agreement, the County agreed to participate in the Zone by contributing 40.49% of the County tax levy on the Captured Appraised Value in the Zone collected by the County, commencing in the year in which Property Tax Increment payments were due to the Zone from taxes levied for the year 2012. The participation will continue for a period of thirty years from the date of the first payment. Any rollback taxes collected by the County on land within the Zone do not constitute Property Tax Increment and will not be considered part of the County’s Property Tax Increment participation.

The County is not obligated to make Property Tax Increment payments from taxes or revenue other than the Property Tax Increments and not until the Property Tax Increments are actually collected. The County's obligation to pay the Property Tax Increment participation into the Tax Increment Fund is to accrue as taxes representing the County Property Tax Increment are collected and payment is due on August 1 of each year.

The Interlocal Agreement also provides that the County's obligation to participate in the Zone is limited to the Zone as originally constituted unless the County approves an extension of its participation to any areas annexed into the Zone by the City. The City's obligations under the Interlocal Agreement include an agreement not to disannex any property within the Zone. The County is entitled to appoint one member to the Zone Board.

The Interlocal Agreement will remain in effect through the life of the Zone. Upon termination of the Zone, if all public improvements to be financed by the Zone (the "*Public Improvements*") have been constructed and financed and if all Zone debt is paid in full, the City and the Zone shall pay to the County all monies remaining in the Tax Increment Fund that are attributable to the County's Property Tax Increment participation.

Calculation of Property Tax Increments

The certified appraised value in a Zone is supplied to all the taxing units participating in the Zone by the applicable appraisal district based on the appraisal district's identification of all real property accounts within the Zone's boundaries. The Brazoria County Appraisal District (the "*Appraisal District*") appraises the property in the Zone for the Participants. Each Participant uses the certified appraised taxable value in the Zone obtained from the Appraisal District, but then modifies it based on the various exemptions from taxation granted by the Participant (the County and the Road and Bridge Fund have slightly different exemptions). See "TAXING PROCEDURES OF THE PARTICIPANTS—Property Tax Code as Applied to the City and the County." It then determines Captured Appraised Value by subtracting the Tax Increment Base of the Zone from the current year's taxable value in the Zone.

The Appraisal District may issue a "correction roll," which may affect previously certified values. Value changes can be positive or negative depending on the cause. Omitted property adds value while protest settlements, exemptions and error corrections can add or subtract value. Value changes typically are larger in dollar amount and number in the years just following the current tax year and tend to diminish in amount and number over time.

Each Participant's determination of Captured Appraised Value will depend on the timing of its calculation (that is, what Appraisal District roll it uses) and its exemptions. The Participants' individual determinations resulted in the Captured Appraisal Values shown under "FINANCIAL INFORMATION—Schedule 4: Property Tax Increment Collections." For an explanation of the different exemptions of the Participants, see "TAXING PROCEDURES OF THE PARTICIPANTS—Property Subject to Taxation by the Participants."

Calculation of Property Tax Increments is subject to administrative interpretation by the Participants, which may change from time to time, at the option of each Participant.

Collection of Tax Increments

Each taxing unit participating in a zone is to pay Property Tax Increments into the Tax Increment Fund that are equal to the amount arrived at by multiplying the Captured Appraised Value in the zone by the taxing unit's contributed tax rate per \$100 of valuation for the tax year and then multiplying that product by the taxing unit's collection percentage, subject to any aggregate limitation. The collection percentage is determined by comparing the taxes collected from all taxable real property in the zone to the total taxes due to the taxing unit for the tax year from all real property in the zone. Each taxing unit's collection percentage is shown in "FINANCIAL INFORMATION—Schedule 4: Property Tax Increment Collections." The TIF Act provides that payment of Property Tax Increments by participating taxing units is to be made by the 90th day after the later of either the delinquency date for the taxing unit's property taxes, or the date the city or county that created the zone submits to the taxing unit an invoice specifying the Property Tax Increment produced by the taxing unit and the amount the taxing unit is required to pay into the Tax Increment Fund for the zone, unless otherwise agreed by the parties.

The City is to pay Sales Tax Increments into the Tax Increment Fund that are equal to fifty percent (50%) of the 1% sales and uses taxes generated and attributable to the Zone and collected by the City above the Sales Tax

Increment Base. The “Sales Tax Increment Base” means the amount of City sales and use taxes attributable to the Zone for the year 2010.

Pursuant to the Tri-Party Agreement, the City and the Zone agree to continuously collect the Tax Increments during the term of the Tri-Party Agreement, and to the extent legally permitted to do so, they agree that they will not permit a reduction in the Tax Increments paid by the City or the County, except to the extent provided in the Tri-Party Agreement or Interlocal Agreement, respectively. See “THE DEVELOPMENT PLAN—Tri-Party Agreement.”

The obligations of the City and the Zone to pay Tax Increments to the Authority are subject to the Tri-Party Agreement and the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by the City, the County, or any other taxing unit that may hereafter participate in the Zone that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the City, the County, or other taxing unit, as applicable. See “RISK FACTORS—Risk of Higher Priority Debt.”

City Costs Paid Prior to Debt Service on the Contract Revenue Bonds

Pursuant to the Tri-Party Agreement, the City, on behalf of itself and the Zone, has agreed to pay to the Authority all monies then available in the Tax Increment Fund without counterclaim or offset, but minus any expenses incurred by the City in connection with the collection of the Tax Increments and minus any amount retained pursuant to the terms of the Tri-Party Agreement, such as the amount to be retained by the City for costs of service as described in the Financing Plan. The Tri-Party Agreement states that the City will pay available monies in the Tax Increment Fund to the Authority at least twice per year.

The Tri-Party Agreement requires the Authority to deposit the payments from the Tax Increment Fund to its Revenue Fund and use the money in the following order of priority: first to reserve the funds necessary to pay the reasonable operation and administrative expenses of the Authority, the Zone and the City to implement the Project Plan for the ensuing twelve-month period; second to reserve the funds necessary to make any payments on the Contract Revenue Bonds for the ensuing twelve-month period, third to make the payments required pursuant to the Shared Financing Agreement (as defined herein), and finally to make payments on obligations owed developers or builders.

The costs of the Authority, the Zone and the City which are funded prior to debt service payments on the Contract Revenue Bonds consist of an annual payment to the City from Tax Increments generated from City taxes for the cost of City services to the property in the Zone (the “*Cost of Service*”) and an annual payment to the City, including an amount reserved for payment of third party consultants, to provide the services necessary to operate the Authority and the Zone (the “*Annual Administrative Payment*”).

The Financing Plan states that the Cost of Service should be calculated as follows:

<u>Zone Year</u>	<u>Cost of Service Payment</u>
2011-2020	\$430 per residential unit
2021-2030	\$645 per residential unit
2031-2040	\$1,000 per residential unit

Town homes are counted as 70% of a residential unit. The City calculates the number of residential units for each Zone Year by taking the number of residential units and residential units under construction as of January 1 of each year from the appraisal rolls produced by the Appraisal District. The Authority has paid the City the Cost of Service for all fiscal years through 2024. The amount of the Cost of Service for fiscal year 2024 was \$363,135 based on 563 residential units at \$645 per unit. This amount will change annually based on the number of residential units and the Zone year.

The Authority paid the City a total of \$100,000 for administering the Zone and the Authority from inception through fiscal year 2023 and \$60,000 for administrative services for fiscal year 2024. The Authority has budgeted an additional \$20,000 for third party consultant expenses in fiscal year 2025 for a total Annual Administrative Payment amount of \$80,000. This amount may change from year to year.

The amounts paid to the City for Cost of Service and the Annual Administrative Payment are not part of the Contract Tax Increments and are not available for payment of debt service on the Bonds.

Tax Increments Reserved for Payment of Debt Service on the Contract Revenue Bonds

Once the annual payment to the City for the Cost of Service has been made and the Annual Administrative Payment has been set aside, all Tax Increments will be transferred to the Pledged Revenue Fund under the Indenture as they are received. The Trustee will make the following transfers from the Pledged Revenue Fund: first to the Debt Service Fund amounts necessary to make the amounts on deposit in that fund equal to the interest and principal installments due on the Contract Revenue Bonds in the next 12-month period, second, the Trustee will deposit to the Debt Service Reserve Fund amounts required to attain the Reserve Requirement (as defined herein), third, the Trustee will pay itself its fees and expenses as Trustee and Paying Agent/Registrar, and fourth, the Trustee will deposit any remaining funds into the Authority's Surplus Fund where it will be released from the lien of the Indenture.

Amounts required to be transferred to the Trustee by the Authority are net of the Cost of Service and Annual Administrative Payment and are referred to herein as "*Contract Tax Increments.*" Contract Tax Increments are the only Tax Increments pledged to secure the Authority's obligation to pay the Prior Bonds, the Bonds and any Additional Parity Bonds which may be issued in the future (collectively, the "*Contract Revenue Bonds.*")

Pledge of Revenues

Pursuant to the Bond Resolution and the Indenture, the Authority has agreed to pay to the Trustee all Contract Tax Increments. Once debt service on the Contract Revenue Bonds for the succeeding twelve-month period has been set aside, the debt service reserve fund has been fully funded, and the Trustee's and Paying Agent/Registrar's fees have been paid, any surplus Contract Tax Increments will be transferred to the Surplus Fund for use by the Authority pursuant to the terms of the Tri-Party Agreement. Upon the Trustee's transfer of such surplus Contract Tax Increments to the Surplus Fund, such amounts are no longer pledged to the payment of the Contract Revenue Bonds and are not included in the definition of "Pledged Revenues." See "THE INDENTURE – The Funds."

The Authority has pledged to the payment of principal of and interest on the Contract Revenue Bonds on an equal and ratable basis the "*Pledged Revenues,*" which are defined in the Indenture and the Bond Resolution as all of the Authority's right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired:

- (a) the Contract Tax Increments;
- (b) all of the Authority's right, title and interest in the Tri-Party Agreement and Interlocal Agreement;
- (b) all money deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund, and the Debt Service Reserve Fund and held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom; and
- (c) any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with the Trustee as additional security under the Indenture by the Authority, or anyone on behalf of the Authority, or which pursuant to any of the provisions of the Indenture may come into the possession or control of the Trustee as security thereunder, or of a receiver lawfully appointed thereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms thereof.

Debt Service Reserve Fund

The "*Debt Service Reserve Fund*" is created by the Indenture and held by the Trustee for the equal and ratable benefit of all Owners of Contract Revenue Bonds. The Debt Service Reserve Fund is required to be funded in an amount necessary so that the Debt Service Reserve Fund contains the "*Reserve Requirement.*" The Reserve Requirement is computed after the issuance of any series of Contract Revenue Bonds and is the lesser of (A) 1.25 times the average annual debt service on the Contract Revenue Bonds, or (B) the maximum annual debt service,

provided that the issuance of any series of Contract Revenue Bonds will not cause the Reserve Requirement to increase by more than 10% of the stated principal amount of such series of Contract Revenue Bonds or 10% of the issuance price of such series of Contract Revenue Bonds if the series of Contract Revenue Bonds is issued with more than a de minimis amount of original issue discount. See “THE INDENTURE—The Funds.”

The Authority expressly reserves the right at any time to satisfy all or part of the Reserve Requirement by obtaining for the benefit of the Debt Service Reserve Fund one or more Reserve Fund Surety Policies. A “Reserve Fund Surety Policy” is currently defined in the Indenture as an insurance policy or other credit agreement in a principal amount equal to the portion of the Reserve Requirement to be satisfied and issued by a financial institution or insurance company with a rating for its long term unsecured debt or claims paying ability of at least “A” or its equivalent by a nationally recognized statistical rating organization. See “RISK FACTORS—Reliance on Debt Service Fund and Use of Reserve Fund Surety Policy.”

In the event the Authority elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any purposes for which the Contract Revenue Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used. The premium for any Reserve Fund Surety Policy may be paid from bond proceeds or other funds of the Authority lawfully available for such purpose. All amounts deposited in or required to be deposited in the Debt Service Reserve Fund may be used to pay obligations incurred to providers of Reserve Fund Surety Policies, including amounts advanced thereunder, interest on such advances and related costs and expenses.

Additional Parity Bonds

The Authority has reserved the right to issue Additional Parity Bonds (the “*Additional Parity Bonds*”) on the terms set out in the Indenture and the Bond Resolution for any lawful purpose (including the refunding of any previously issued Parity Bonds). 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 Bonds;
- (b) the City has approved issuance of the Additional Parity Bonds on the terms set forth in the Tri-Party Agreement, as the same may be modified from time to time;
- (c) there shall be on deposit in the Debt Service Reserve Fund, after the issuance of the Additional Parity Bonds, an amount equal to the Reserve Requirement on all Contract Revenue Bonds that will be outstanding after the issuance of the Additional Parity Bonds;
- (d) the Authority certifies that it is not in material default with the terms of the Indenture, any bond resolution or the Tri-Party Agreement; and
- (f) the Authority has received a projection meeting the requirements set forth below (the “Projection”), which shows available Contract Tax Increments equal to 125 percent of projected maximum annual debt service, taking into account the Outstanding Contract Revenue Bonds and the Additional Parity Bonds sought to be issued (except for Additional Parity Bonds issued for refunding purposes and that reduce the average annual debt service requirements).

The Projection shall be based on the projection of the Captured Appraised Value by the Authority’s financial advisor using either (i) a certificate of the Brazoria County Appraisal District showing certified values, adjusted for exemptions, or (ii) estimated or preliminary values provided by the Brazoria County Appraisal District, adjusted for exemptions and losses due to protests based on a three-year historical average of such reductions.

In both cases, the Projection will take into account any scheduled reductions or increases in Contract Tax Increments under agreements between the City and a taxing unit participating in the Zone.

In the Indenture, the Authority represents that the Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Authority superior to or on parity with the Contract Revenue Bonds, and the Authority covenants that it will not in any manner pledge or further encumber the Pledged Revenues unless such

pledge or encumbrance is junior and subordinate to the lien and pledge granted under the Indenture to secure the Contract Revenue Bonds.

The Authority reserves the right to issue bonds, notes or other obligations secured in whole or in part by liens on all or part of the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Contract Revenue Bonds. The Indenture requires that subordinate lien obligations provide that they are payable from Pledged Revenues only if and to the extent of moneys that could otherwise be deposited to the Debt Service Reserve Fund (for Reserve Fund Surety Policy obligations) or to the Surplus Fund. See “THE INDENTURE—The Funds.”

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the Bonds will be used for the purposes of (1) reimbursing the Developer for certain Project Costs in accordance with the Plans; (2) funding the Reserve Requirement (as defined herein) for the Debt Service Reserve Fund; and (3) paying costs of issuance, all under and pursuant to the authority of the TIF Act and all other applicable law.

The Project Costs to be reimbursed consist of road facilities. See “THE DEVELOPMENT PLAN—Project and Financing Plan.”

The following table sets forth the expected use and distribution of Bond proceeds and is subject to change.

Sources of Funds:

Principal	
Net Premium	
Total Sources:	<u>\$</u>

Uses of Funds:

Deposit to Project Fund.....	
Deposit to the Debt Service Reserve Fund.....	
Underwriter’s Discount	
Cost of Issuance ⁽¹⁾	
Total Uses:	<u>\$</u>

(1) Represents estimated fees and expenses related to the issuance and sale of the Bonds.

RISK FACTORS

Limited Obligations

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE PLEDGED REVENUES, AND ARE NOT OBLIGATIONS OF THE CITY AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY. THE CITY’S OBLIGATION TO DEPOSIT SALES AND USE TAXES INTO THE TAX INCREMENT FUND PURSUANT TO THE TRI-PARTY AGREEMENT OR TO MAKE PAYMENTS FROM SALES AND USE TAXES IS NOT A GENERAL OBLIGATION OF THE CITY AND DOES NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY.

THE BONDS DO NOT CONSTITUTE, WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION, OR A LOAN OF CREDIT OF THE CITY, THE COUNTY, THE STATE, OR ANY OTHER MUNICIPALITY, COUNTY, OR OTHER MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. THE CITY IS NOT OBLIGATED TO MAKE PAYMENTS ON THE BONDS. THE AUTHORITY DOES NOT HAVE THE POWER TO LEVY TAXES OR ASSESS FEES FOR ANY PURPOSE, INCLUDING PAYMENT OF THE BONDS.

For a variety of reasons, including those described below, a decrease or reduction in Tax Increments causing a decrease or reduction in Pledged Revenues may occur. The Bonds are subject to special Risk Factors as set forth below.

Impact of Economic Conditions

Each year the then current market value of all real property and improvements in the Zone will determine Captured Appraised Value. The market value of the real property and improvements within the Zone is affected by the demand for such improvements. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the U.S. economy and the specific economic conditions and demographic characteristics of the Houston metropolitan area. See “—Exposure to Oil and Gas Industry” and “—Nature of Residential Housing Market” herein.

Exposure to Oil and Gas Industry

Many energy companies are located in the Houston metropolitan area and have manufacturing facilities and offices there. Energy is a major driver of the City’s 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 region, including the Zone. 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.

Nature of Residential Housing Market

The area within the Zone is expected to be developed primarily for single family residential use. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Higher interest rates have affected house sales in Meridiana, especially in the larger size lots.

The housing industry in the Houston area is very competitive, and buyers can choose from a number of residential developments and master planned communities in the Houston area.

Future Taxable Values in the Zone May Decline

The Appraisal District determines the taxable value in the Zone annually based on the then current market value of all taxable real property and improvements in the Zone. **Captured Appraised Value is derived from the taxable value of real property and improvements within the Zone, not from any increase in the appraised value of personal property (such as equipment and inventory).**

The Appraisal District may use cost data, cost comparisons and/or an analysis of the income being produced by an office building or an apartment project to determine its taxable value. Residential or commercial buildings that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in the Zone may affect the Tax Increments received by the Authority.

Property owners have the right to protest the appraised value of their property in the Zone annually and are not required to render their property for ad valorem taxation at any agreed upon level, unless required by a development agreement with the Authority. Owners in the Zone 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 Zone. See “—Recent Extreme Weather Events; Hurricanes” below. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described above and in “TAXING PROCEDURES OF THE PARTICIPANTS” and may be at a value lower than projected.

Taxable values, which are used to generate Contract Tax Increments, take into account tax exemptions granted by state law or an individual taxing unit. See “TAXING PROCEDURES OF THE PARTICIPANTS.” The

Texas Constitution limits the rate of increase in the taxable value of a residential homestead regardless of its market or assessed value. It also grants additional exemptions for various categories of persons, such as disabled veterans and first responders. Taxing units have the authority to grant additional exemptions, including a homestead exemption of up to 20% of the assessed value of a residential homestead and additional exemptions to residential homesteads of persons 65 or older or disabled. The County has granted a 20% homestead exemption since inception of the Zone. The City has granted a 10% homestead exemption and could offer a homestead exemption of up to 20% for future tax years. Both the County and the City also grant additional exemptions for persons 65 or older or disabled. The granting of an exemption from taxes reduces the taxable value in the Zone.

Dependence on Developer and Major Taxpayers

A developer normally undertakes many activities necessary for the development of an undeveloped tract of property. See “STATUS OF DEVELOPMENT – The Major Property Owner and the Developer—Role of the Developer.” However, neither the Developer (as hereinafter defined) nor any landowner in the Zone has committed to the Authority to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the Zone, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict and rate of growth of taxable values in the Zone. The Authority cannot and does not make any representation that over the life of the Bonds, the Zone will increase or maintain its taxable value.

Development Risk

Future increases in taxable value in the Zone, if any, are expected to result principally from the construction of new single-family homes and ancillary commercial improvements. Construction of such improvements may be constrained by many factors, currently known and unknown, and include difficulty obtaining governmental approvals, the lack of infrastructure to support new construction, high interest rates, and labor shortages. The Authority cannot predict how much, if any, new taxable value will be created in the Zone after the date hereof.

Tax Rates Are Likely to Decline and Collection Rates May Decline

The amount of Contract Tax Increments available to pay principal of and interest on the Bonds is determined by the appraised value of taxable real property and improvements in the Zone, the tax rate of the Participants, and the percentage of taxes actually collected from taxpayers in the Zone and paid into the Tax Increment Fund.

A Participant is not required under Texas law or any contract to set a tax rate sufficient to assure any certain dollar amount of Contract Tax Increments; rather, Texas law, the Tri-Party Agreement, and the Interlocal Agreement only require the Participants to contribute the Tax Increments actually collected by them and only to the extent provided in the Tri-Party Agreement, the Financing Plan, and the Interlocal Agreement. Each Participant will set its tax rate in accordance with the Property Tax Code (as hereinafter defined), which limits the ability of a taxing entity to increase its tax rate without an election. See “TAXING PROCEDURES OF THE PARTICIPANTS—State Law Limitations on Setting the Annual Tax Rate.” In addition, the Texas Legislature could change the process for setting the rates or establish more stringent limits on the tax rates that may be set by a political subdivision than those currently in effect.

The City’s tax rate for the 2024 tax year is \$0.560000 per \$100 valuation, which is the same as in tax year 2023 but one cent less than the tax rate it had in tax years 2021 and 2022. It has decreased its tax rate from \$0.690000 per \$100 valuation in 2018 to \$0.570000 per \$100 valuation in 2021 through 2022 to \$0.560000 in 2023 and 2024. The County’s tax rate, including the Bridge and Road Fund, has decreased each year from tax year 2017 through tax year 2024 going from \$0.427914 per \$100 valuation in tax year 2018 to \$0.303546 per \$100 valuation in tax year 2024. The Property Tax Code requires taxing units to compensate for increased appraised values of property within their boundaries by reducing their tax rates so that they receive the same revenue as they did the previous year as the baseline for calculating the maximum tax rate they can set without holding an election. See “TAXING PROCEDURES OF THE PARTICIPANTS—State Law Limitations on Setting the Annual Tax Rate.” Property valuations have increased in most areas of Texas in the last four years.

Reductions in the tax rates levied by the City or the County could have a material adverse effect on Contract Tax Increments.

If the percentage of taxes collected by the City or County in the Zone declines, the amount of Contract Tax Increments available to pay debt service on the Bonds may decrease. Historic tax collection rates may not accurately predict future tax collection rates.

The collection of, and accounting for, Tax Increments involve extensive administration and are subject to error. Moreover, detailed procedures for calculation and collection of Tax Increments are not set forth in the TIF Act and are implemented at the discretion of each taxing unit participating in a tax increment reinvestment zone.

Limitations on Tax Collections and Foreclosure Remedies

The Authority's ability to make debt service payments on the Bonds may be adversely affected by the Participants' inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by a Participant constitutes a lien on the property against which taxes are levied and such lien may be enforced by foreclosure. Foreclosure must be effected through a judicial proceeding. A Participant's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or economic and market conditions affecting the marketability of taxable property within the Zone and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the Zone available to pay debt service on the Bonds may be limited by the current aggregate tax rate being levied against the property and by other factors, including the taxpayers' right to redeem property within two years of foreclosure for residential homestead and agricultural use property and within six months of foreclosure for other property. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Zone pursuant to the United States Bankruptcy Code (the "*Bankruptcy Code*") could stay any attempt by a Participant to collect delinquent ad valorem taxes assessed 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. The Authority has no control over the collection of property taxes by the Participants. See "TAXING PROCEDURES OF THE PARTICIPANTS."

Recent Extreme Weather Events; Hurricanes

The greater Houston area, including the Zone, is subject to occasional severe weather events, including tropical storms, hurricanes, heavy winds and winter freezes. If substantial damage were to occur to taxable property within the Zone as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the Zone, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. If a future weather event significantly damaged all or part of the improvements within the Zone, the assessed value of property within the Zone could be substantially reduced, which could result in a decrease in Tax Increments. Further, there can be no assurance that a casualty loss to taxable property within the Zone 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 Zone. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Zone could be adversely affected.

There are special taxing procedures for areas declared to be a disaster area by the Governor that could affect the amount of taxes due and when they are collected. See "TAXING PROCEDURES OF THE PARTICIPANTS—Reappraisal of Property after Disaster" and "—Tax Payment Installments after Disaster."

The frequency and intensity of weather events in the Houston region could have a material impact on the long-term development of the region's economy.

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 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.

Atlas 14

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 Zone may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Zone. The application of 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.

Limited Remedies After Default

Remedies in the event of a default by the Authority in one or more of its obligations under the Bonds, the Bond Resolution or the Indenture are limited. Although the Indenture provides that the Trustee may obtain a writ of mandamus requiring performance of such obligations, such remedy may prove time-consuming, costly and difficult to enforce. Neither the Bond Resolution nor the Indenture provides for acceleration of maturity of the Bonds, or provides for the foreclosure of any property or assets other than applying the Pledged Revenues to payment of the Bonds in the manner provided in the Indenture. See “—Risk of Bankruptcy” below.

Risk of Bankruptcy

Under the Bankruptcy Code and current case law interpreting the Bankruptcy Code, it is possible (depending upon the degree of control by the City) 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 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.

Risk of Increased Debt

The Authority has reserved the right to issue Additional Parity Bonds which are secured by the Pledged Revenues on an equal basis with the then-outstanding Contract Revenue Bonds. The issuance of Additional Parity Bonds may adversely affect the investment security of the outstanding Contract Revenue Bonds. For a description of the circumstances under which Additional Parity Bonds may be issued and the Authority’s issuance plans, see “SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds” and “FINANCIAL

INFORMATION—Plans to Issue Additional Parity Bonds.” Additionally, the Authority may incur debt subordinate to the payment of Contract Revenue Bonds or may incur certain obligations through development agreements and related agreements. See “SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds.” See “THE DEVELOPMENT PLAN – Development Financing Agreement with Developer” for a description of the Authority’s obligations to reimburse the Developer for certain expenditures.

Dependence on Contract Performance

In order for owners of the Bonds to receive principal of and interest as due, several governmental units must perform their obligations under the contracts described herein. The County must perform its obligations under the Interlocal Agreement, and the City must perform its obligations under the Tri-Party Agreement, which includes transferring the Tax Increments to the Authority on the schedule set forth in the Tri-Party Agreement. Transfer of funds to the Authority cannot occur unless such funds are appropriated to the Authority by action of the City Council of the City. The Zone and the Authority also have obligations under the Tri-Party Agreement. Any of these parties could default in their obligations, and enforcement would be dependent upon judicial redress, which is subject to discretion and delay. In addition, enforcement may be limited or prohibited if the defaulting party files for bankruptcy under the Bankruptcy Code or similar state laws. Moreover, each of the Participants in the Zone may be reluctant to pursue judicial redress against another Participant with which it may be engaged in many transactions.

Cybersecurity

The Authority is dependent on digital technologies of the City, which collects the funds to pay Tax Increments to the Authority and administers the Authority’s general account. These systems necessarily hold sensitive protected information that is valued on the black market for such information. As a result, the electronic systems and networks of organizations like the City are considered targets for cyber-attacks and other potential breaches of their systems.

On October 28, 2024, the City reported that an unknown person or persons stole \$450,000 from its account as a result of a cybersecurity breach. According to the City, suspects got into the City’s email system, manipulated its email communications and rerouted an electronic payment. The City is working with the Federal Bureau of Investigation and the Texas Financial Crimes Unit to find the suspects and recover the money.

The City has taken, and continues to take, measures to protect its information technology system against such cyber-attacks and to insure against them, but there can be no assurance that the City will not experience another breach. If such a breach occurs, the financial consequences could have a materially adverse impact on the Authority; however, the recent theft of funds will have no impact on the Authority.

Risk of Higher Priority Debt

The obligations of a Participant to pay Tax Increments into the Tax Increment Fund is subject to the rights of any of the holders of bonds, notes or other obligations that have been or are hereafter issued by such Participant that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the Participant. If taxable values in any Participant decline so that it cannot pay its outstanding tax-supported indebtedness without use of Tax Increments, there may be insufficient remaining Tax Increments to pay the Bonds.

Failure to Generate Sufficient Contract Tax Increments Prior to Termination of the Zone

The Zone was created by the City Council of the City on May 10, 2010, and currently is set to terminate on December 31, 2050. If Tax Increments collected prior to termination of the Zone have been insufficient to pay principal of and interest on the Bonds when due, no additional Tax Increments are required to be collected, and no remedies are available to the Bondholders to recover amounts remaining unpaid but with respect to which Tax Increments have been insufficient.

Risk of Reduction in County Participation in the Zone

Pursuant to the Interlocal Agreement, the County has agreed to contribute Property Tax Increments to the Zone for a 30 year period, which commences in the year in which County Property Tax Increments arising from taxes

levied by the County in tax year 2012 are due to be paid to the Zone. The final scheduled maturity of the Bonds is April 1, 2050, which is seven years after the County's participation in the Zone is scheduled to end. The Authority has attempted to anticipate the effect of the termination of County Property Tax Increments; however, there can be no assurance that Tax Increments will be sufficient in any year or in total to pay all principal and interest on the Bonds. See "FINANCIAL INFORMATION—Schedule 2: Pro Forma Debt Service Requirements."

Risk of Failure to Comply with Certain Covenants

Failure of the Authority to comply with certain covenants contained in the Bond Resolution and the Indenture on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "TAX MATTERS."

Risk of IRS Audit of the Bonds

The Internal Revenue Service (the "Service") has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. 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 its ultimate outcome.

Changes in Tax Legislation

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

Changes in Tax Increment Legislation

Current law may change so as to directly or indirectly reduce Tax Increments available to the Authority. The Texas Legislature meets biennially in odd numbered years and frequently makes changes to the TIF Act. Changes to the Texas Property Tax Code can also affect the valuation of property in the Zone. The Authority has no control over such changes.

Limited Marketability of the Bonds

The Authority has no understanding with the Underwriter 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 may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

No Rating

The Authority has not applied for, nor would it expect to receive, an investment grade municipal bond rating or municipal bond guaranty insurance on the Bonds. THE BONDS ARE NOT RATED BY ANY RATING SERVICE.

Reliance on Debt Service Reserve Fund and Possible Use of Reserve Fund Surety Policy

The Debt Service Reserve Fund is to be utilized when there are insufficient funds in the Debt Service Fund to pay principal and interest coming due on the Contract Revenue Bonds and is required to be replenished from future Pledged Revenues.

The amount of the Debt Service Reserve Fund is limited to the Reserve Requirement and may not be sufficient to pay debt service on the Contract Revenue Bonds, depending upon the amount, duration and frequency of the shortage in Contract Tax Increments.

The Authority expressly reserves the right at any time to satisfy all or part of the Reserve Requirement by obtaining for the benefit of the Debt Service Reserve Fund one or more Reserve Fund Surety Policies. In the event the Authority elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Debt Service Reserve Fund, it may apply any Contract Revenue Bond proceeds thereby released, to the greatest extent permitted by law, to any purpose for which the Contract Revenue Bonds of such series were issued and any other funds thereby released to any purpose for which such funds may be lawfully used.

The financial strength and claims paying ability of the bond insurance company providing the Reserve Fund Surety Policy are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of such a bond insurance company will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. There is no obligation on the part of the Authority to replenish the Debt Service Reserve Fund if the ratings of the bond insurance company are downgraded or the bond insurance company becomes insolvent or bankrupt.

The obligations of any bond insurance company providing a Reserve Fund Surety Policy are contractual obligations and in an event of default by the provider, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

If a Reserve Fund Surety Policy is utilized in the future, the bond insurance company may require that cash in the Debt Service Reserve Fund be used prior to the Reserve Fund Surety Policy. If the Reserve Fund Surety Policy is utilized, the Authority is required to repay the bond insurance company, along with costs and accrued interest. The Authority may not have sufficient Contract Tax Increments to repay the bond insurance company. In such event the bond insurance company may be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the bonds for which the Reserve Fund Surety Policy were issued, or (ii) remedies which would adversely affect the owners of the bonds for which the Reserve Fund Surety Policy were issued and any other Contract Revenue Bonds.

Air Quality Concerns

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 promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State 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.

In a final rule that became effective on March 16, 2020, the EPA determined that the HGB Area had met the CAA criteria for redesignation to attainment status under the 1997 Ozone Standards and EPA terminated the obligations that had applied in the HGB Area under the 1997 Ozone Standards. However, the HGB Area remains designated as a nonattainment area under the 2008 and 2015 Ozone Standards, and the TCEQ remains obligated to demonstrate attainment with the more-stringent 2008 and 2015 Ozone Standards under the CAA.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior “serious” classification, effective November 7, 2022. The State will be required to submit State Implementation Plan (“SIP”) revisions to the EPA no later than 18 months after the November 7, 2022 deadline. The HGB Area could be subject to 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 to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of 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 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.

THE BONDS

Description

The Bonds will be issued in the aggregate principal amount, will mature on the dates and in the amounts, and will bear interest at the rates per annum set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will accrue from the Delivery Date. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2025, until the earlier of maturity or redemption. The Bonds are issued in fully registered form, in principal denominations of \$5,000 or any integral multiple thereof.

Authority for Issuance

The Bonds are issued by the Authority pursuant to the terms of City Resolution 2024-R-33 adopted on October 21, 2024 and under the terms and conditions of the Bond Resolution and the Indenture.

Book-Entry-Only System

The information in this section concerning the Depository Trust Company, New York, New York (“DTC”), Cede & Co. and the book-entry system has been furnished by DTC for use in disclosure documents such as this Official Statement. The Authority and the Underwriter believe such information to be reliable, but neither the Authority nor the Underwriter take any responsibility for the accuracy or completeness thereof.

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 Bond will be issued for each stated maturity of the Bonds, each in the aggregate principal amount of such stated maturity, and will be deposited with DTC.

DTC, the world’s largest 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 3.5 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 S&P rating 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.

Purchases of the 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 (each a "*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 confirmation 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 the 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 Participants and the 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 Indenture. 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 an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue 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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the Bonds 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and all other 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 issuer or paying agent of the Bonds, 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not DTC nor its nominee, the paying agent or the issuer of the Bonds, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and all other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, the Trustee or Paying Agent/Registrar (as defined herein) of the Bonds, disbursement of such payments to Direct Participants will be the responsibility to DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct Participants and the Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the issuer or the paying agent of the Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC participants under DTC's operational arrangements. In the event of such discontinuance, certificates will be printed and delivered.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed Wilmington Trust, National Association as the initial Paying Agent/Registrar for the Bonds (together with any successors, the "Paying Agent/Registrar"). 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. So long as the book-entry-only system described above is used with respect to the Bonds, the Registered Owners will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners in accordance with the book-entry-only system. In the event the book-entry-only system is discontinued, interest on each Bond will be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the fifteenth (15th) calendar day of the month immediately preceding each Interest Payment Date (each a "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 upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of principal of or interest on any Bond is not a business day, then the date for such paying will be the next succeeding business day, as defined in the Bond Resolution. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty days or more thereafter, the Paying Agent/Registrar is required to establish a new record date for the payment of such interest (a "Special Record Date") when funds to make such payment are received from or on behalf of the Authority. Such Special Record Date is required to be fifteen days prior to the date fixed for payment of such past due interest.

Redemption Provisions

Optional Redemption: The Authority reserves the right, at its option, to redeem the Bonds maturing on or after April 1, ____ prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on April 1, ____, or any date thereafter, at a price of par value plus accrued interest on the principal amount of the Bonds called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the Authority.

Mandatory Sinking Fund Redemption: The Term Bonds maturing on April 1 in the years ____ and ____ will be mandatorily redeemed by the Authority prior to their scheduled maturity dates on the dates and in the principal amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<p>\$ _____ Term Bond Maturing April 1, ____</p> <p>Mandatory Redemption</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><u>Dates (4/1)</u></td> <td style="width: 50%;"><u>Principal Amounts</u></td> </tr> </table>	<u>Dates (4/1)</u>	<u>Principal Amounts</u>	<p>\$ _____ Term Bond Maturing April 1, ____</p> <p>Mandatory Redemption</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><u>Dates (4/1)</u></td> <td style="width: 50%;"><u>Principal Amounts</u></td> </tr> </table>	<u>Dates (4/1)</u>	<u>Principal Amounts</u>
<u>Dates (4/1)</u>	<u>Principal Amounts</u>				
<u>Dates (4/1)</u>	<u>Principal Amounts</u>				

The principal amount of each Term Bond required to be redeemed on any redemption date pursuant to the mandatory sinking fund redemption schedule relating to such Term Bond will be reduced by the principal amount of such Term Bond which, at least 45 days prior to the mandatory sinking fund 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 Paying

Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

General Redemption Provisions: During any period in which ownership of the Bonds is in book-entry-only form, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds of such maturity to be redeemed will be selected in accordance with the arrangements between the Authority and DTC; provided, that if any Bond is selected for redemption in part, it shall not be redeemed in an amount that would result, upon exchange, in a Bond in a denomination less than \$5,000.

Notice of Redemption

Notice of redemption will be given by the Paying Agent/Registrar not less than 30 days prior to the date of redemption by United States mail, first class, postage prepaid, to the Registered Owners of Bonds called for redemption at the address on the Register maintained by the Paying Agent/Registrar. Notice having been given in the manner and under the conditions provided in the Bond Resolution and monies for the payment of the redemption price being held by the Paying Agent/Registrar, the Bonds designated for redemption described in the notice will be due and payable at the redemption price specified in the notice and interest thereon will cease to accrue on such Bonds, and such Bonds will cease to be entitled to any lien, benefit or security under the Bond Resolution and shall not be deemed to be outstanding thereunder. The owners of such Bonds will have no right in respect thereof except to receive payment of the redemption price thereof.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the Register at its designated corporate trust 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.

In the event the book-entry-only system is discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the designated corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the Authority to authenticate and deliver in exchange therefor, within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity, aggregate principal amount, and Dated Date, and bearing interest at the same rate as the Bond or Bonds so presented.

In the event the book-entry-only system is discontinued, all Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds in accordance with the provisions of the Bond Resolution. Each Bond delivered will be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the Authority nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending on the next succeeding Interest Payment Date (including any Special Record Date) or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption and ending on the date fixed for redemption; provided, however, that such limitation will not apply to the exchange by the Registered Owner of the unredeemed portion of a Bond called for redemption in part.

The Authority or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the Authority.

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 will be a national or state banking institution, doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and which will be 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 will 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, apparently destroyed, or wrongfully taken, the Authority, pursuant to the applicable laws of the State 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 cost to replace such Bonds. 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Chapter 1201, Texas Government Code, the Bonds are legal and authorized investments for insurance companies, fiduciaries and trustees and for the sinking funds of cities, town, villages, school districts and other political subdivisions or public agencies of the State. The Bonds are not an authorized investment for political subdivisions that are required to comply with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. Most political subdivisions in the State are required to adopt investment guidelines consistent with the Public Funds Investment Act. However, political subdivisions otherwise subject to the Public Funds Investment Act may have statutory authority to invest in the Bonds independent from the Public Funds Investment Act. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State, or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value.

The Authority has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The Authority has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

Defeasance

The Authority may defease any or all of the Bonds pursuant to the provisions of the Indenture and discharge its obligations to the Registered Owners in any manner now or hereafter permitted by Texas law.

Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State, with the Paying Agent/Registrar or with any other escrow agent so authorized by law either (i) cash in an amount equal to the principal of and redemption premium, if any, of the Bonds plus interest thereon to the date of maturity or redemption or (ii) pursuant to an escrow or trust agreement, cash and (x) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (y) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (z) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and which 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. Because the Indenture does not contractually limit such investments, Registered Owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other obligations used for defeasance purposes will be maintained at any particular rating category.

THE INDENTURE

Pursuant to the Indenture, the Authority has assigned all of the Authority’s right, title and interest in and to the Pledged Revenues, including the Contract Tax Increments, to the Trustee for the benefit, on an equal and ratable basis, of the registered owners of the Contract Revenue Bonds.

Pursuant to the Indenture, the Trustee is to maintain the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Project Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Contract Revenue Bonds. The Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Project Fund are to be invested only in investments authorized by the laws of the State 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. Amounts in the Debt Service Reserve Fund shall be used to pay interest on and principal of the Contract Revenue Bonds when insufficient funds are available for such purpose in the Debt Service Fund or may be applied toward the payment of principal of or interest on the Contract Revenue Bonds in connection with the refunding or redemption of such Bonds.

The Funds

The Indenture creates the following funds, each of which (except the Surplus Fund) shall be maintained by the Trustee:

- (a) the Pledged Revenue Fund, into which all Pledged Revenues shall initially be deposited;
- (b) the Debt Service Fund, into which deposits shall be made from the Pledged Revenue Fund as described below, and from which deposits shall be applied to the payment of interest and principal installments on the Contract Revenue Bonds as the same becomes due;
- (c) the Debt Service Reserve Fund, which shall be initially funded from proceeds of each series of Contract Revenue Bonds, and into which deposits from the Pledged Revenue Fund shall be made to maintain the Reserve Requirement, and from which monies shall be transferred to the Debt Service Fund if amounts in the Debt Service Fund are insufficient to pay the amounts of principal and interest due on the Contract Revenue Bonds;
- (d) the Project Fund, which will be funded from Contract Revenue Bond proceeds and disbursed by the Trustee immediately, free and clear of any lien created by the Indenture, to pay costs of issuance and to deposit with the Authority to pay Project Costs as provided in the applicable Bond Resolution;
- (e) the Surplus Fund, into which will be deposited any amounts remaining in the Pledged Revenue Fund; and
- (f) the Rebate Fund, which shall be free and clear of any lien created by the Indenture, and into which certain amounts earned by the Authority on the investment of the “gross proceeds” of the Contract Revenue Bonds (within the meaning of section 148(f)(6)(B) of the Code (as hereinafter defined)) shall be deposited for rebate to the United States federal government, all as provided in the Bond Resolution with respect to each series of Contract Revenue Bonds.

Pledged Revenues deposited in the Pledged Revenue Fund shall be applied by the Trustee as follows: (i) to the Debt Service Fund amounts necessary to make the amounts on deposit therein equal to the interest and principal

installments due in the next twelve month period on the Contract Revenue Bonds; (ii) to the Debt Service Reserve Fund amounts required to maintain the Reserve Requirement; (iii) to the payment of fees and expenses of the Trustee and Paying Agent/Registrar; and (iv) to the Surplus Fund of the Authority established in accordance with the Indenture, for use by the Authority for any lawful purpose. Monies may be transferred from the Pledged Revenue Fund to the Surplus Fund at any time provided that immediately prior to any such transfer the deposits required by clauses (i), (ii) and (iii) above shall have been made or provided for.

Events of Default

The Indenture provides that an Event of Default shall be either of the following occurrences:

- (a) Failure to pay when due the interest and principal installment on any Contract Revenue Bond; or
- (b) Failure to deposit to the Debt Service Fund money sufficient to pay any principal of or interest on any Contract Revenue Bond no later than the date when it becomes due and payable.

Remedies

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Authority and, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners of the Contract Revenue Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Contract Revenue Bonds, or the resolutions authorizing the Contract Revenue Bonds, or in aid of the execution of any power granted in the Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or Registered Owners, including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Authority or any Participant to make payment of the Pledged Tax Increments (but only from and to the extent of the sources provided in the Indenture and the Participant contracts), to pursue the collection of Tax Increment from Participants (including the obligation of the City under the Tri-Party Agreement to pursue the collection of Tax Increments by the County under the Interlocal Agreement) or to observe and perform its other covenants, obligations and agreements in the Indenture or the Tri-Party Agreement. The Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Contract Revenue Bonds, may act as attorney in fact for the Registered Owners of the Contract Revenue Bonds, no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Indenture does not provide for any acceleration of maturity of the Contract Revenue Bonds or provide for the foreclosure upon any property or assets of the Authority or the City, other than applying the Pledged Revenues in the manner provided in the Indenture.

Limitation on Action by Owners

The Indenture imposes certain limitations on Registered Owners of Contract Revenue Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of the aggregate principal amount of all Contract Revenue Bonds Outstanding and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Contract Revenue Bonds Outstanding, after furnishing the Trustee indemnity satisfactory to protect the Trustee against expenses, charges, and liability, shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture.

Amendments to the Indenture of Trust

Without the consent of the Registered Owners, the Authority and the Trustee may from time to time enter into one or more indentures supplemental to the Indenture, which shall form a part of the Indenture, for any one or more of the following purposes:

- (a) to cure any inconsistency or formal defect or omission in the Indenture;

- (b) to grant to or confer upon the Trustee for the benefit of the Owners of the Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain bond insurance for any Contract Revenue Bonds;
- (f) to provide for one or more Reserve Fund Surety Policies;
- (g) to permit the assumption of the Authority's obligations thereunder by any entity that may become the legal successor to the Authority; and
- (h) to issue additional Contract Revenue Bonds;

provided, however, that no provision in such supplemental indenture will be inconsistent with the Indenture or will impair in any manner the rights of the Owners of the Contract Revenue Bonds.

Except as provided in the preceding paragraph, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Authority and the Trustee with the consent of the Owners of not less than a majority of the aggregate principal amount of the Contract Revenue Bonds then Outstanding. However, without the consent of the Owner of each Outstanding Contract Revenue Bond affected thereby, no modification, change or amendment to the Indenture will:

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that of the United States, or deprive such Owner of the lien of the Indenture on the revenues pledged thereunder; or
- (2) change or amend the Indenture to permit the creation of any lien on the revenues pledged under the Indenture equal or prior to the lien thereof; or
- (3) reduce the aggregate principal amount of Contract Revenue Bonds the Owners of which are required to approve any such modification, change or amendment thereof.

Removal or Resignation of Trustee

The Trustee or any successor Trustee may be removed (a) at any time by the Registered Owners of a majority in aggregate principal amount of the Contract Revenue Bonds then Outstanding, (b) by the Authority for cause or upon the sale or other disposition of the Trustee or its trust functions or (c) by the Authority without cause so long as no event of default exists or has existed within the last 90 days, upon payment to the Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Authority and acceptance thereof by the successor.

The Trustee may at any time resign and be discharged from the trusts created by the Indenture by giving written notice to the Authority and by providing written notice to the Registered Owners of its intended resignation at least thirty (30) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first class mail, postage prepaid to each Owner of Contract Revenue Bonds. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

Appointment of Successor Trustee

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Owners of a majority in principal amount of the Contract Revenue Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Authority; provided, however, that in any of the events above mentioned, the Authority may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Owners in the manner above provided, and any such temporary Trustee so appointed by the Authority shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Owners. The Authority shall provide written notice to the Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided for providing notice of the resignation of the Trustee as described above under “—Removal or Resignation of Trustee.” Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

In the event that no appointment of a successor Trustee is made by the Owners or by the Authority pursuant to the foregoing provisions at the time a vacancy in the office of the Trustee shall have occurred, the Owner of any Contract Revenue Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

THE DEVELOPMENT PLAN

The City

The City is at the intersection of State Highways 6 and 288 and Farm Road 1128, in northern Brazoria County. According to the 2020 census, the City had a population of 11,432 with a median age of 36.8 years, a median household income of \$84,711 and a median property value of \$241,400. The City’s population was estimated at 17,780 in 2023.

The City is a home-rule city with a council-manager form of government. The City Council consists of six council members and the Mayor, who are all elected at-large.

The Zone

The City created the Zone pursuant to City Ordinance No. 2010-O-06 adopted on April 12, 2010 (the “*City Creation Ordinance*”). As created, the Zone encompassed 2,403.78 acres of land comprised of two tracts within the corporate boundaries of the City south of State Highway 6.

The City Creation Ordinance provided that the Zone would take effect on the date of adoption of the City Creation Ordinance and would terminate on December 31, 2050, or at an earlier time designed by subsequent ordinance of the City, or at such time, subsequent to the issuance of tax increments bonds, if any, that all project costs, tax increment bonds, notes and other obligations of the Zone, and the interest thereon, have been paid in full. The purpose of the Zone was to promote the development and redevelopment of the area. Both the City and the County participate in the Zone.

The City Creation Ordinance also formed the Zone Board and established the Tax Increment Fund for the Zone. The Zone Board consists of five members; Positions One through Four are reserved for the City, and Position Five is reserved for the County. The Mayor of the City is authorized to nominate and appoint, subject to City Council approval, the directors to Positions One through Four.

The Authority

The Authority’s creation was authorized by City Resolution No. 2011-R-01 adopted on January 10, 2011, which also approved its Articles of Incorporation and By Laws.

The Authority was created as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. According to its Articles of Incorporation, the Authority was organized and will be operated exclusively for one or more charitable purposes, within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). The Authority was organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of area included in the Zone and neighboring areas; and to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce and economic development in the City. The Authority is further organized to assist the City and the Zone Board in the preparation and implementation of the Project Plan and Financing Plan for the Zone and any amendments, in the development of a policy to finance development of residential, commercial and public properties in the Zone, and in the development and implementation of a development policy for the Zone, including the acquisition of land for development purposes.

The Articles of Incorporation provide that the Authority will be managed by a board of directors consisting of five persons, with the original directors being appointed by the City pursuant to City Resolution No. 2011-R-01. Any director may be removed from office at any time, with or without cause, by the City Council. According to the Bylaws of the Authority, directors will be appointed by position by the Mayor of the City with the consent and approval of the City Council and shall be the same persons appointed to the corresponding positions on the Zone Board. Appointment of a person to a position on the Zone Board by the City will constitute appointment of such person to the corresponding position on the Board of the Authority by the City. Appointment of a person to a position on the Zone Board by any taxing unit will constitute nomination of such person to the corresponding position on the Board of the Authority by such taxing unit and the person so nominated will be appointed to the Board by the City.

The Authority commenced operations in 2011. Its operations are governed by the Tri-Party Agreement. The Authority funds its operations with Tax Increments. See “FINANCIAL INFORMATION—Schedule 3: “Historic Debt Service Coverage;” and “THE INDENTURE—The Funds.”

The Authority does not have any employees but utilizes City employees and contracts with consultants for specialized services.

Brazoria County Municipal Utility Districts No. 56 and 57

Brazoria County Municipal Utility District No. 56 (“MUD 56”) and Brazoria County Municipal Utility District No. 57 (“MUD 57”) are political subdivisions of the State with boundaries within the Zone. MUD 56 and MUD 57 (each a “District” and collectively, the “Districts”) became effective as of November 6, 2007 and operate as municipal utility districts. The Districts are authorized to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The Districts also are authorized to construct, develop and maintain park and recreational facilities and to construct roads. MUDs 56 and 57 have constructed water supply and distribution facilities, wastewater treatment and collection facilities, and certain drainage facilities to the land within their boundaries.

The Developer, the Districts, and the Authority have entered into an agreement to provide for the construction of certain Public Improvements necessary to serve the land within the Zone. See “—Shared Financing Agreement with the Districts” below.

Tri-Party Agreement

The Tri-Party Agreement states in detail the scope of services to be provided to the Zone by the Authority. The services include management and administrative services for the Zone, as requested by the Zone Board, services with respect to the Plans, including preparation of amendments, and services with respect to the tax rolls pertaining to the Zone, including analysis and coordination with taxing units. The Authority may construct infrastructure, buy equipment and supplies, and deal in real estate as necessary to implement the Project Plan, including designing and constructing projects identified in the Project Plan that meet the qualifications of the TIF Act (the “Zone Projects”).

The Tri-Party Agreement provides that the Authority has the authority to issue its bonds, to enter into contractual obligations with developers or builders who are developing or redeveloping a Zone project, and to enter into contracts with consultants, to be paid from moneys to be paid by the City and the Zone to the Authority from Tax

Increments; provided that the Authority may issue its bonds only upon the approval of the City Council. All development agreements with developers or builders must be approved by the City. All consultant contracts are subject to such terms and conditions as the Authority's Board and the Zone Board shall determine to be necessary or desirable to implement the Plans.

Pursuant to the Tri-Party Agreement, the City, on behalf of itself and the Zone, has agreed to pay to the Authority all monies then available in the Tax Increment Fund without counterclaim or offset, but minus any expenses incurred by the City in connection with the collection of the Tax Increments and minus any amount retained pursuant to the terms of the Tri-Party Agreement. The Tri-Party Agreement states that the City will pay available monies in the Tax Increment Fund to the Authority at least twice per year.

The Tri-Party Agreement requires the Authority to deposit Tax Increments into the Authority Revenue Fund and use the moneys in the Authority Revenue Fund for payment of its obligations in the order that follows: (1) first, reserving the funds necessary to pay the reasonable operation and administrative expenses of the Authority, the Zone and the City to implement the Project Plan for the ensuing twelve-month period; (2) second, reserving the funds necessary to make any payments on Authority bonds for the ensuing twelve-month period; (3) third, making the payments to the Districts pursuant to that certain Shared Financing Agreement; and (4) finally, making payments on obligations to developers or builders. The Authority may pledge and assign all or a part of the Authority Revenue Fund to the owners and holders of bonds of the Authority, and to developers/builders pursuant to a development agreement.

The Authority is required to maintain books of records and accounts, obtain an audit at the end of each fiscal year by an independent certified public accountant, and furnish periodic information to the City in such form and at such times as the City may require. The Authority is required to invest its funds only in investments that would be eligible for investment by the City pursuant to the provisions of the Texas Public Funds Investment Act.

In performing its obligations under the Tri-Party Agreement, the Authority is an independent contractor.

The City and the Zone agree that their obligation to make the payments of Tax Increments as set forth in the Tri-Party Agreement from the Tax Increment Fund is absolute and unconditional, and until such time as the bonds and the contractual obligations of the Authority have been fully paid or legally defeased or the date of expiration of the Zone, whichever comes first, the City and the Zone will not suspend or discontinue any payments of Tax Increments as provided in the Tri-Party Agreement and will not terminate the Tri-Party Agreement for any cause.

If a party to the Tri-Party Agreement fails to perform or observe any of the terms and conditions of the Tri-Party Agreement, the non-defaulting party may terminate its performance under the Tri-Party Agreement after thirty days' notice and a right to cure. No termination of the Tri-Party Agreement will affect the obligation of the City and the Zone to pay from Tax Increments an amount that will permit the Authority to pay its bonds, notes or obligations issued or incurred pursuant to the Tri-Party Agreement prior to termination. In the Tri-Party Agreement, the City agrees not to dissolve the Authority or the Zone unless it makes satisfactory arrangements to provide for the payment of the Authority's bonds or other obligations incurred prior to the Authority's dissolution.

Project Plan and Financing Plan

The Final Project Plan ("*Project Plan*") and the Reinvestment Zone Financing Plan (the "*Financing Plan*," and collectively with the Project Plan, the "*Plans*") were approved by the City on July 26, 2010 by City Ordinance No. 2010-O-14. The Project Plan details the proposed Public Improvements to be financed by the Zone. The cost of the Public Improvements, acquisition of real estate, creation of the Zone, and related organizational costs (the "*Project Costs*") constitute eligible project costs under the TIF Act.

The Project Plan states that the purpose of the Zone is to overcome the impediments to development of the land within the Zone and to create a quality and cohesive addition to the City in a financially sound manner. By partnering with the original developer of the land in the Zone, the City sought to implement significant improvements and master plan a large portion of the City south of State Highway 6 and west of FM 1128. According to the Project Plan, without the TIF financing mechanisms, these improvements would not be financially viable for either the developer or the City.

The Project Plan states that the Zone will implement a significant portion of the City's Comprehensive Plan, provide a mechanism for the construction and financing of Public Improvements, enhance regional mobility, provide a backbone for a City water and sewer system, allow master planning of a significant portion of the City, set the tone for a higher standard of development south of State Highway 6, encourage spin-off quality development outside the Zone, provide a level of assessed value in comparison to the cost of service not otherwise achievable, provide economic development, and provide job creation.

The Public Improvements proposed for the property in the Zone include: roadway improvements, including paving, earthwork, sidewalks, landscaping, lighting, signing and signalization; water, sewer and drainage improvements needed for roadways, floodplain mitigation/storm water detention, water plants, wastewater treatment plant, parks, recreation, landscaping, and monumentation. Land costs associated with property formally conveyed to the public in conjunction with the implementation of Zone Projects may also be eligible for reimbursements.

The Financing Plan lists estimated Project Costs for the Zone of \$110,307,437 in capital costs and \$125,057,535 in creation, administration and financing costs. The Financing Plan also lists Non-Project Costs of \$142,440,599 and describes the anticipated capital cost allocation among the Zone, the Districts and the Developer in connection with Public Improvements within the Zone as 44% from the Zone, 28% from the Districts and 28% from the Developer.

The Financing Plan calls for the Project Costs to be advanced by a developer or incurred directly by the Zone. It is expected that the Zone will finance projects directly or will reimburse the Developer by a combination of tax-exempt bonds and cash reimbursements.

Development Financing Agreement with the Developer

The City, the Zone, the Authority, and GR-M1, Ltd., a Texas limited partnership (the "*Developer*") entered into a Development Financing Agreement in 2011 (the "*Financing Agreement*"). The Financing Agreement provides that the Developer will finance and perform services in connection with the construction of certain Public Improvements to implement the Project Plan, and the Authority will reimburse the Developer all or a portion of the Project Costs of such Public Improvements in accordance with the terms of the Financing Agreement.

The Financing Agreement lists the Zone Projects as Meridiana Parkway, collector streets, water, sewer and drainage facilities for Meridiana Parkway and the collector streets, detention facilities, water plant, sewer plant, trails and small parks, recreation center, landscaping and monumentation. It further provides for the Zone Projects to be divided between Zone Projects for which the Authority will serve as Project Manager ("*Authority Projects*") and Zone Projects for which one of the Districts will serve as Project Manager ("*District Projects*"), which division may be changed by the Authority Board and the Districts. The Authority Projects are listed as trails and small parks, recreation center, landscaping, and monumentation.

The Financing Agreement sets forth a process for Zone Project development and requires the Developer to meet all standards of the City, the PUD (as defined herein), and the TCEQ. After completion and acceptance, each Zone Project is to be conveyed to the responsible public entity.

In the Financing Agreement, the Authority agrees to reimburse the Developer for operating advances for the creation, organization, operation and administration of the Zone and the Authority and for the Project Costs of Authority Projects from Available Authority Funds or from the proceeds of Contract Revenue Bonds; provided the Developer follows the procedures set forth in the Financing Agreement and obtains all required authorizations and approvals. "*Available Authority Funds*" is defined as the funds remaining each year in the Authority's Revenue Fund after (1) first, reserving the funds necessary to pay the reasonable operation and administrative expenses of the Authority and the Zone for the ensuing twelve-month period, (2) second, reserving the funds necessary to make any bond payments for the ensuing twelve-month period, (3) third, making the payments to the District pursuant to the Shared Financing Agreement. It is expected that the Zone will reimburse the Developer by a combination of tax-exempt bonds and cash reimbursements.

The Financing Agreement provides that the decision regarding whether to sell Contract Revenue Bonds for an Authority Project or to fund it from Available Authority Funds will be made based upon the most reasonable determination by the Authority of when the Developer will be most rapidly reimbursed, considering costs of financing, availability of funds, and market conditions. The obligation of the Authority to reimburse the Developer is a special obligation of the Authority payable solely from the Available Authority Funds.

The Financing Agreement also requires the Developer to develop a Recreation Center within the Zone and to deed a park site equaling 20 acres to the City.

Pursuant to the Financing Agreement, the failure of the Developer to meet any deadlines in the Financing Agreement or the PUD gives the City the right to suspend the issuance of building permits in the Zone and the Authority the right to suspend authorization to proceed for any new Zone Project. Further, the Financing Agreement gives the City and the Authority the right to terminate the Financing Agreement in the event the Developer does not diligently pursue completion of the Project Plan in the absence of an event of force majeure. The City and the Authority have the right to terminate the Financing Agreement if construction of Zone Projects with a contract price of at least \$200,000 is discontinued for seven years. The termination does not affect the obligation of the Authority to reimburse the Developer for eligible Project Costs of Zone Projects that are completed or in progress on the date of termination.

A party is considered in default under the Financing Agreement if it fails to materially perform, observe or comply with any of its covenants, agreements or obligations under the Financing Agreement or breaches or violates any representation in the Financing Agreement, after 30 days' notice and an opportunity to cure. Upon a breach, the non-defaulting party may secure judicial redress, including specific performance or damages or both.

Shared Financing Agreement with the Districts

The Shared Financing Agreement (the "*Shared Financing Agreement*") by and among the City, the Zone, the Authority, and the Districts was approved by the City by Resolution No. 2010-R-30 adopted December 29, 2010. It provides that either District may finance and perform services in connection with the construction of certain Public Improvements to implement the Project Plan, and the Authority will reimburse the applicable District all or a portion of the Project Costs of such Public Improvements in accordance with the terms of the Shared Financing Agreement.

The Shared Financing Agreement lists the Zone Projects as Meridiana Parkway, collector streets, water, sewer and drainage facilities for Meridiana Parkway and the collector streets, detention facilities, water plant, sewer plant, trails and small parks, recreation center, landscaping and monumentation. It further provides for the Zone Projects to be divided between Authority Projects and District Projects, which division may be changed by the Authority Board and the Districts. The Authority Projects are listed as trails and small parks, recreation center, landscaping, and monumentation.

The Shared Financing Agreement sets forth a process for Zone Project development and requires the Developer to meet all standards of the City, the PUD, and the TCEQ. After completion and acceptance, each Zone Project is to be conveyed to the responsible public entity.

The Authority agrees to reimburse the District for the "*TIRZ Share*," as described below and in the Shared Financing Agreement, of the Project Costs of Zone Projects from Available Authority Funds or from the proceeds of Contract Revenue Bonds; provided the applicable District follows the procedures set forth in the Shared Financing Agreement and obtains all required authorizations and approvals.

In the Shared Financing Agreement, "*Available Authority Funds*" are defined as the funds remaining each year in the Authority's Revenue Fund after (1) first, reserving the funds necessary to pay the reasonable operation and administrative expenses of the Authority and the Zone for the ensuing twelve-month period, and (2) second, reserving the funds necessary to make any payments on the Authority's bonds for the ensuing twelve-month period; "*District Bonds*" are defined as bonds, notes and other obligations of a District sold to finance any District Project, and "*District Project*" is defined as a Zone Project for which a District will serve as Project Manager.

The Shared Financing Agreement further provides that a District may sell District Bonds secured by Tax Increments paid to the District by the Authority from Available Authority Funds only with the approval of the Board of Directors of the Authority and the consent of the City Council of the City. For any year the Authority receives payments from the City after the District sells District Bonds, the Authority will pay the District, not later than 30 days prior to the fall principal and interest payment date of each year, solely from Available Authority Funds and from no other source and to the extent of such Available Authority Funds, the "*TIRZ Share*" of the annual debt service on any District Bonds. The TIRZ Share is set forth in the Shared Financing Agreement for each Zone Project. The District is required to use the funds to pay debt service on District Bonds issued to finance Zone Projects. The obligation of the Authority survives a termination of the Shared Financing Agreement and is absolute and

unconditional until such time as all outstanding District Bonds have been fully paid or provision for payment thereof shall have been made.

The obligation of the Authority to reimburse the Districts is a special obligation of the Authority payable solely from the Available Authority Funds.

Pursuant to the terms of the Shared Financing Agreement, the City and the Authority have the right to terminate the Shared Financing Agreement if construction of Zone Projects with a contract price of at least \$200,000 is discontinued for seven years. The termination does not affect the obligation of the Authority to reimburse the Districts for eligible Project Costs of Zone Projects that are completed or in progress on the date of termination.

A party is considered in default under the Shared Financing Agreement if it fails to materially perform, observe or comply with any of its covenants, agreements or obligations under the Shared Financing Agreement or breaches or violates any representation in the Shared Financing Agreement, after 90 days' notice and an opportunity to cure. Upon a breach, the non-defaulting party may secure judicial redress, including specific performance or damages or both.

The term of the Shared Financing Agreement will expire on the later of January 1 in the year following completion of the Plans or the date that the Developer has been repaid in full for all eligible Project Costs.

STATUS OF DEVELOPMENT

Conditions at Creation of the Zone

At the time of creation of the Zone, the property within the Zone was utilized for agricultural purposes, including cattle grazing, hay, and rice farming. The portion of the Zone adjacent to State Highway 6 along the extension of McCoy Road included undeveloped land with scattered light manufacturing, retail and civic uses. The Zone contains a segment of Chocolate Bayou and a significant floodplain area.

Development from Inception to Present

Approximately 1,662 acres of land within the Zone are being developed as a portion of Meridiana, a master planned community. As shown below, as of October 1, 2024, the portion of Meridiana within the Zone contained 1,472 platted lots, 928 completed homes, 93 homes under construction and 451 vacant developed lots. Homebuilders that are active in Meridiana include Chesmar Homes, David Weekley Homes, Drees Custom Homes, Highland Homes, Perry Homes, Coventry Homes, Shea Homes, and Newmark Homes. Prices of new homes being constructed in the Zone range from the \$250,000 to \$1,000,000.

Discovery Cove, an amenity developed by the Developer, contains a wave pool, winding tidal river, resort-style recreation pool, fitness center, outdoor fitness space for group classes, an open lawn and pavilion, and food truck parking. The Developer has deeded Discovery Cove to MUD 56, and the property will not be subject to taxation.

The Zone also contains an elementary school and junior high school owned by Alvin Independent School District. The schools are not subject to taxation.

The portion of Meridiana within the Zone is expected to contain 3,759 single family homes and town homes at full build-out.

In addition to the portion of the Zone being developed as Meridiana, the Zone contains approximately 741 acres adjacent to the extension of McCoy Road (Meridiana Parkway) south of State Highway 6 (the "Peter's Road Service Area"). Various light manufacturing, retail and civic facilities are located in this area.

The following table shows development in the portion of the Zone being developed as Meridiana as of October 1, 2024:

Section	Type of Development	Acreage	No. of Lots	Homes		Vacant Lots
				Complete	Under Construction	
Meridiana - Section 4A	Single Family	17	47	0	10	37
Meridiana - Section 5E	Single Family	12	37	0	7	30
Meridiana - Section 13A	Single Family	16	57	0	5	52
Meridiana - Section 14A	Single Family	15	68	26	9	33
Meridiana - Section 14B	Single Family	14	66	0	0	66
Meridiana - Section 24A	Single Family	19	78	0	20	58
Meridiana - Section 24B	Single Family	14	58	4	11	43
Meridiana - Section 27	Single Family	16	52	52	0	0
Meridiana - Section 28A	Single Family	14	45	45	0	0
Meridiana - Section 28B	Single Family	14	39	38	1	0
Meridiana - Section 29	Single Family	9	15	15	0	0
Meridiana - Section 30A	Single Family	17	54	37	0	17
Meridiana - Section 30B	Single Family	11	42	3	1	38
Meridiana - Section 31A	Single Family	16	22	21	1	0
Meridiana - Section 32A	Single Family	1	4	0	0	4
Meridiana - Section 32B	Single Family	0.2	2	0	0	2
Meridiana - Section 33A	Single Family	14	47	46	0	1
Meridiana - Section 33B	Single Family	10	40	31	5	4
Meridiana - Section 39A	Single Family	12	66	66	0	0
Meridiana - Section 39B	Single Family	12	50	50	0	0
Meridiana - Section 43	Single Family	23	53	53	0	0
Meridiana - Section 44	Single Family	27	72	72	0	0
Meridiana - Section 45	Single Family	10	34	34	0	0
Meridiana - Section 46	Single Family	13	29	29	0	0
Meridiana - Section 47	Single Family	22	63	63	0	0
Meridiana - Section 48	Single Family	22	64	64	0	0
Meridiana - Section 49	Single Family	20	27	26	1	0
Meridiana - Section 50	Single Family	20	69	65	1	3
Meridiana - Section 51	Single Family	7	10	4	4	2
Meridiana - Section 52	Single Family	22	44	24	1	19
Meridiana - Section 53	Single Family	15	38	29	8	1
Meridiana - Section 54A	Single Family	9	21	16	2	3
Meridiana - Section 54B	Single Family	22	59	15	6	38
Total		485	1472	928	93	451

The master planned community of Meridiana consists of approximately 2,769 acres of land located within the City of Iowa Colony, the City of Alvin, Texas, and the Zone and is expected to include approximately 6,202 homes as well as commercial and mixed-use development at full build-out. Development of Meridiana began within the City of Iowa Colony where there were approximately 1,846 completed homes as of July 31, 2024. Development activities are now occurring in both the City of Iowa Colony and the Zone.

THE BONDS ARE PAYABLE FROM CONTRACT TAX INCREMENTS (DEFINED AND DESCRIBED HEREIN) DERIVED FROM CERTAIN TAX COLLECTIONS ON TAXABLE PROPERTY WITHIN THE ZONE. THE PORTION OF MERIDIANA LOCATED OUTSIDE OF THE ZONE DOES NOT SERVE AS A SOURCE OF PAYMENT FOR THE PRIOR BONDS, THE BONDS OR ANY ADDITIONAL PARITY BONDS WHICH MAY BE ISSUED IN THE FUTURE. SEE "SOURCE OF AND SECURITY FOR PAYMENT."

The Major Property Owner and the Developer

Role of the Developer. In general, the activities of a developer in a tax increment reinvestment zone such as the Zone include purchasing the land within the Zone, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer

to perform such activities in development of the property within a tax increment reinvestment zone may have a profound effect on taxable values within the zone. A developer is generally under no obligation to a tax increment reinvestment zone to develop the property which it owns in the zone. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a zone. In addition, a developer is ordinarily a major taxpayer within a zone during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the Zone will occur, or construction of taxable improvements upon property within the Zone will occur, or that marketing or leasing of taxable improvements constructed upon property within the Zone will be successful. Circumstances surrounding development within the Zone 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.

Neither the Developer, nor any affiliated entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has a binding commitment to the Authority to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the Zone in order to acquaint themselves with the nature of development that has occurred or is occurring within the Zone's boundaries.

Principal Landowner/Developer. GR-M1 LTD, a Texas limited partnership (the "*Developer*"), was formed for the sole purpose of acquiring and holding for investment and sale tracts of land within the Zone. Its development activities are conducted through Rise Communities, LLC, a limited liability company, under a contract with the Developer. The Developer and Rise Communities, LLC have common ownership. In addition to Meridiana, Rise Communities LLC is also developing Cane Island, an 1,100-acre master-planned community located in the City of Katy, Texas.

According to the Developer, the Developer is funding its development of Meridiana through equity contributions.

Land Use Regulations

The City zoned the land within the Zone as a Planned Unit Development ("*PUD*") by City Ordinance No. 2009-O-04 adopted on February 23, 2009. The primary goal of the Meridiana Planned Unit Development is to create a master planned community that features a mixture of uses and a variety of housing types that will encourage sustainable neighborhoods and attract investment to the area while preserving the natural environment.

The Development Plan contains a preliminary land use plan, minimum right-of-way widths and paving sections, street design criteria, sidewalk requirements, parking requirements, open space requirements, and infrastructure requirements. A Home Owner's Association Architectural Review Committee has been established. The Development Plan contains development standards for all property located within the PUD and limits non-conforming land uses.

The Road System

Meridiana Parkway has been constructed by the Developer and runs from State Highway 288 to State Highway 6 through the City of Iowa Colony and the Zone. The Developer has also constructed Pursley Boulevard which runs north and south through the Zone. The road system will ultimately be financed by the Districts and the Authority and owned, operated and maintained by the City as the phases are constructed and accepted by the City.

The Utility System

MUD No. 56 and Brazoria County Municipal Utility District No. 55 ("*MUD. 55*") provide water and sewer service to the land within the Zone. According to the Developer, the water and wastewater facilities of MUD 56 and MUD 55 are sufficient to serve the development within the Zone. The Districts will expand their capacity and/or contract with MUD 55 for additional capacity as necessary for additional development of Meridiana.

Drainage and Flood Plain

The PUD requires the drainage plan and storm sewer system to be designed in accordance with the regulations of the City, Brazoria County Drainage District No. 5, and Conservation & Reclamation District #3. According to the PUD, the storm water runoff within Meridiana will be routed through a curb and gutter street system to storm sewer lines that will outfall into detention basins contoured and landscaped to resemble natural bayous. The internal detention basins will provide storage volume for the increased storm water runoff resulting from development of the property. The storm water from the detention basins will outfall in a controlled fashion into Chocolate Bayou or the West Fork of Chocolate Bayou.

The City participates in the National Flood Insurance Program administered by the Federal Emergency Management Agency (“FEMA”). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities. FEMA periodically updates and revises its maps designating the areas of the City that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

According to information provided by the Developer, prior to development of Meridiana, there were a total of 1,105 acres of land in the Zone determined by FEMA to be located in a Special Flood Hazard Area, an area which would be inundated by a flood having a 1-percent chance of being equaled or exceeded in any given year (the “Floodplain”). The Developer has been successful in removing 200 acres of this land from the Floodplain through placement of fill and has received a Letter of Map Revision Based on Fill from FEMA. Currently there are 905 acres of property in the Zone that is considered in the Floodplain. The Developer intends to remove additional acreage from the Floodplain as development continues through the placement of fill.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps. See “RISK FACTORS—Recent Extreme Weather Events; Hurricanes” and “—Specific Flood Type Risks.”

[The remainder of this page intentionally left blank]

FINANCIAL INFORMATION

Schedule 2: Pro Forma Debt Service Requirements

The Bonds will constitute the second issuance of Contract Revenue Bonds by the Authority. The following sets forth an estimate of the total outstanding debt service requirements of the Authority following the issuance of the Bonds, based upon a fiscal year end of September 30.

Year Ended 1-Oct	Existing Debt			The Bonds			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 205,000	\$ 880,075	\$ 1,085,075		\$ 125,832	\$ 125,832	\$ 1,210,907
2026	515,000	863,875	1,378,875	\$ 105,000	155,923	260,923	1,639,798
2027	535,000	840,250	1,375,250	110,000	150,870	260,870	1,636,120
2028	560,000	815,613	1,375,613	115,000	145,583	260,583	1,636,195
2029	585,000	789,850	1,374,850	120,000	140,060	260,060	1,634,910
2030	615,000	762,850	1,377,850	130,000	134,185	264,185	1,642,035
2031	645,000	732,888	1,377,888	95,000	128,898	223,898	1,601,785
2032	520,000	703,763	1,223,763	100,000	124,315	224,315	1,448,078
2033	545,000	677,138	1,222,138	105,000	119,498	224,498	1,446,635
2034	575,000	649,138	1,224,138	110,000	114,445	224,445	1,448,583
2035	605,000	619,638	1,224,638	115,000	109,158	224,158	1,448,795
2036	635,000	588,638	1,223,638	120,000	103,635	223,635	1,447,273
2037	670,000	556,013	1,226,013	125,000	97,878	222,878	1,448,890
2038	705,000	521,638	1,226,638	130,000	91,885	221,885	1,448,523
2039	740,000	485,513	1,225,513	140,000	85,540	225,540	1,451,053
2040	775,000	447,638	1,222,638	145,000	78,843	223,843	1,446,480
2041	815,000	407,888	1,222,888	155,000	71,793	226,793	1,449,680
2042	860,000	366,013	1,226,013	160,000	64,390	224,390	1,450,403
2043	900,000	322,013	1,222,013	170,000	56,635	226,635	1,448,648
2044	690,000	281,400	971,400	140,000	49,350	189,350	1,160,750
2045	730,000	244,125	974,125	145,000	42,653	187,653	1,161,778
2046	770,000	204,750	974,750	150,000	35,720	185,720	1,160,470
2047	810,000	163,275	973,275	160,000	28,435	188,435	1,161,710
2048	855,000	119,569	974,569	165,000	20,798	185,798	1,160,366
2049	900,000	73,500	973,500	175,000	12,808	187,808	1,161,308
2050	950,000	24,938	974,938	185,000	4,348	189,348	1,164,285
Total	\$ 17,710,000	\$ 13,141,981	\$ 30,851,981	\$ 3,370,000	\$ 2,293,472	\$ 5,663,472	\$ 36,515,453

Average Annual Debt Service (2025-2050) \$ 1,404,441
 Maximum Annual Debt Service (2030) \$ 1,642,035

*Preliminary, subject to change.

Schedule 3: Historic Debt Service Coverage

The following sets forth the Tax Increments received by the City by fiscal year and shows coverage of the next fiscal year’s debt service requirements.

<u>Tax Year</u>	<u>FYE Sep 30</u>	<u>Tax Increments Received by the Authority (a)</u>	<u>Debt Service Requirements</u>	<u>Debt Service Coverage</u>
2019	2020	\$ 29,596	N/A	N/A
2020	2021	85,136	N/A	N/A
2021	2022	182,385	N/A	N/A
2022	2023	577,852	N/A	N/A
2023	2024	1,456,970	688,090 (b)	2.12

(a) Unaudited, provided by the Authority.

(b) Payment due October 1, 2024 made from 2024 fiscal year revenues.

Plans to Issue Additional Parity Bonds

The Authority plans to issue Additional Parity Bonds when it can meet the debt service coverage requirement for issuance of Additional Parity Bonds. See “SOURCE OF AND SECURITY FOR PAYMENT—Additional Parity Bonds.” According to the Developer, it has expended over [\$79,809,000] for Public Improvements that is eligible for reimbursement through proceeds of the Bonds and Additional Parity Bonds.

Investment Policy

Under Texas law, the Authority is required to invest its funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the Authority or obligations under a lease, installment sale, or other agreement of the Authority) under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following objectives: understanding the suitability of the investment to the Authority’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The Authority’s investments must be made with the “judgment and care under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest Authority funds without express written authority from the Board.

Authorized investments are summarized as follows: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the Authority selects from a list the Board or a designated investment committee of the Authority adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the Authority selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits

in one or more federally insured depository institutions, regardless of where located, for the Authority's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the Authority appoints as the Authority's custodian of the banking deposits issued for the Authority's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for Authority deposits, or (ii) certificates of deposits where (a) the funds are invested by the Authority through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Authority as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the Authority, (b) the broker or the depository institution selected by the Authority arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Authority appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the Authority or cash held by the Authority to be pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Authority, held in the Authority's name and deposited at the time the investment is made with the Authority or a third party designated by the Authority; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the Authority with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the Authority may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15)

above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Authority, held in the Authority's name and deposited at the time the investment is made with the Authority or a third party designated by the Authority; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The Authority may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service, if the Board authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The Authority may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Authority retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Authority must do so by ordinance, order or resolution.

The Authority is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

The Authority maintains an investment strategy that emphasizes, in order of priority, safety, liquidity and return on investment, as embodied in its investment policy (the "*Investment Policy*"). The Authority does not invest in, among other things, inverse floater, interest-only or principal-only mortgage-backed securities. The Investment Policy provides, among other things, that (i) an investment officer must submit quarterly investment reports to the Board and (ii) the Investment Policy must be reviewed annually by the Board.

[The remainder of this page intentionally left blank]

Schedule 4: Property Tax Increment Collections

CITY	Tax Year	Base Year Value (a)	Current Year Value	Current Increment	Tax Rate	Increment		Net Increment Tax Levy	Net Increment Collections	Net Increment Collection Rate
						Tax Rate	Rate			
	2019	\$ 19,278,686	\$ 26,510,710	\$ 7,232,024	\$ 0.64000	\$ 0.21518	\$ 15,562	\$ 15,521	99.74%	
	2020	19,278,686	33,154,364	13,875,678	0.61000	0.42716	59,271	59,233	99.93%	
	2021	19,278,686	51,202,547	31,923,861	0.57000	0.42049	134,237	134,222	99.99%	
	2022	19,278,686	127,377,971	108,099,285	0.57000	0.39816	430,408	426,817	99.17%	
	2023	19,278,686	296,178,704	276,900,018	0.56000	0.43331	1,199,835	1,182,784	98.58%	
	2024	19,278,686	360,103,290	340,824,604	0.56000	0.41295	1,407,423	(In process of Collection)		

Collections as of September 30, 2024.

COUNTY General (b)	Tax Year	Base Year Value (a)	Current Year Value	Current Increment	Tax Rate	Increment		Net Increment Tax Levy	Net Increment Collections	Net Increment Collection Rate
						Tax Rate	Rate			
	2019	\$ 15,763,576	\$ 25,358,375	\$ 9,594,799	\$ 0.365233	\$ 0.147883	\$ 14,189	14,166	99.84%	
	2020	15,223,260	31,857,415	16,634,155	0.342017	0.138483	23,035	23,014	99.91%	
	2021	18,332,233	49,898,552	31,566,319	0.336530	0.136261	43,013	42,991	99.95%	
	2022	18,332,233	116,504,713	98,172,480	0.341106	0.138114	135,590	134,112	98.91%	
	2023	18,332,233	265,118,992	246,786,759	0.251109	0.101674	250,918	243,583	97.08%	
	2024	18,332,233	338,105,090	319,772,857	0.261625	0.105932	338,742	(In process of Collection)		

Collections as of October 10, 2024.

COUNTY Road & Bridge (b)	Tax Year	Base Year Value (a)	Current Year Value	Current Increment	Tax Rate	Increment		Net Increment Tax Levy	Net Increment Collections	Net Increment Collection Rate
						Tax Rate	Rate			
	2019	\$ 15,699,065	\$ 25,295,375	\$ 9,596,310	\$ 0.05000	0.02025	\$ 1,943	\$ 1,942	99.93%	
	2020	15,163,343	31,790,009	16,626,666	0.05000	0.02025	3,366	3,366	100.00%	
	2021	18,332,233	48,883,428	30,551,195	0.05000	0.02025	6,185	6,183	99.97%	
	2022	18,332,233	116,159,008	97,826,775	0.05000	0.02025	19,805	19,554	98.73%	
	2023	18,332,233	264,283,469	245,951,236	0.04328	0.01752	43,101	41,931	97.29%	
	2024	18,332,233	336,982,424	318,650,191	0.04192	0.01697	54,087	(In process of Collection)		

Collections as of October 10, 2024.

- (a) The Tax Increment Base for the City, which is the City’s taxable value in the Zone in tax year 2010, the year the Zone was created, has been subject to change for a number of years but has been stabilized at \$19,278,686. Similarly, the Tax Increment Base for the County and the Road and Bridge Fund was subject to change for a number of years and has now been stabilized at the figures shown in this Schedule. Certified appraised values are established annually by the Appraisal District for the current year, but are subject to change for a number of years thereafter for the reasons described in “SOURCE OF AND SECURITY FOR PAYMENT—Calculation of Property Tax Increments.”
- (b) Because the County and the Road and Bridge Fund taxes are subject to slightly different exemptions, they are listed separately. See “TAXING PROCEDURES OF THE PARTICIPANTS—Property Tax Code As Applied to the City and County.”

Schedule 5: Breakdown of Taxable Assessed Value by Category Based on City Taxable Assessed Valuations

	7/1/2024	2024	2023	2022	2021	2020
	Estimate of Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation	Certified Taxable Assessed Valuation
Land	\$ 153,793,180	\$ 148,019,157	\$ 125,245,683	\$ 56,886,183	\$ 46,147,493	\$ 30,184,533
Improvements	467,166,160	389,463,864	245,076,093	115,642,222	49,712,188	13,278,309
Personal Exemptions	884,330	941,530	907,520	182,420	189,660	197,870
	(157,265,020)	(159,042,575)	(89,546,779)	(52,245,390)	(46,239,452)	(12,954,978)
	<u>\$ 464,578,650</u>	<u>\$ 379,381,976</u>	<u>\$ 281,682,517</u>	<u>\$ 120,465,435</u>	<u>\$ 49,809,889</u>	<u>\$ 30,705,734</u>

- (a) At the request of the Authority, the Appraisal District provided an estimate of taxable assessed value in the Zone as of July 1, 2024, and the estimate for the City is included above. This estimate is for informational purposes only and has no official status. Such amounts are subject to change. In preparing the estimate, the 2024 Certified Value established by the Appraisal District was updated to add the estimated value of improvements constructed from January 1, 2024 through July 1, 2024.
- (b) The 2024 certified taxable value shown is the certified value provided by the Appraisal District for the Zone, which includes the value of properties under protest at the Appraisal Review Board at the value of such properties provided by the owner. As of July 22, 2024, the uncertified properties were valued by the Appraisal District at \$22,578,335 for the City.

Schedule 6: Principal Taxpayers in the Zone

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s assessed value as a percentage of the Zone’s taxable value, using information provided by the County Tax Assessor/Collector.

Top Ten Taxpayers for Year 2024			
Rank	Value	Owner	Percent (%)
1	\$10,578,470 (a)	GR-M1 LTD	2.94%
2	9,974,820 (b)	Drees Custom Homes LP	2.77%
3	8,517,880 (b)	Perry Homes LLP	2.37%
4	4,617,970 (b)	Shea Homes Houston LLC	1.28%
5	4,070,990	Westin Homes and Properties LP	1.13%
6	3,875,140	Enclate Serenity LLC	1.08%
7	3,500,000	7-Eleven Inc.	0.97%
8	2,966,350	Global New Millennium Partners LTD	0.82%
9	2,704,430 (b)	Chesmar Homes LLC	0.75%
10	2,348,720	QMSM Holdings	0.65%
	<u>\$53,154,770</u>		<u>14.76%</u>
	\$ 360,103,290	Total Certified	

(a) The Developer.

(b) Represents a homebuilder within the Zone.

Schedule 7: Estimated Overlapping Taxes

Property within the Zone is subject to taxation by several taxing authorities. Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such taxing authorities. No recognition is given to local assessments for civic associations or any other charges made by entities other than political subdivisions. The following chart includes the 2024 tax rates per \$100 of assessed valuation set by all such taxing jurisdictions, except as noted. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	Tax Year 2024 Tax Rate
Alvin Community College District	\$ 0.1513
Alvin Independent School District	0.1560
Brazoria County (a)	0.3035
Brazoria County Emergency Services District No. 3	0.0775
Brazoria County Drainage District No. 5	0.1041
Brazoria County MUD 56 / 57	0.9000
City of Manvel	0.5600
Total Overlapping Tax Rate	\$ 2.2524

(a) Includes the Road and Bridge Fund.

TAXING PROCEDURES OF THE PARTICIPANTS

Authority to Levy Taxes

Under Texas law each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries.

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “*Property Tax Code*”) specifies the taxing procedures of all political subdivisions of the State, including each Participant. 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 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 Brazoria County Appraisal District (the “*Appraisal District*”) has the responsibility for appraising property for all taxing units within the County, including each Participant. Such appraisal values are subject to review and change by the Brazoria County Appraisal Review Board (the “*Appraisal Review Board*”). The Property Tax Code requires each appraisal district to comply with the Uniform Standards of Professional Appraisal Practice.

Property Subject to Taxation by the Participants

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 Zone are subject to taxation by each Participant. However, the tax revenue generated by each Participant on any personal property is not included in the Property Tax Increments. Principal categories of exempt property include, but are not limited to: property owned by the State 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; property used for pollution control, farm products owned by the producer; certain property of charitable organizations, certain property used for affordable housing, community housing development organizations, youth development associations, religious organizations, and qualified schools; solar and wind-powered energy devices, designated historical sites; and most individually owned automobiles.

Veteran/First Responder Exemptions. Each Participant must grant certain exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% and the surviving spouse of such a veteran is entitled to an exemption for the full amount of the veteran’s or surviving spouse’s residential homestead. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residential homestead in an amount equal to the partially disabled veteran’s disability rating if the residential homestead was donated by a charitable organization. Also, and subject to certain conditions, the surviving spouse of a member of the armed forces or a first responder as defined under Texas law, who was killed in action is entitled to an exemption of the appraised value of the surviving spouse’s residential homestead, which may be transferred to a subsequent residential homestead.

Residential Homestead Exemptions: The governing body of each political subdivision in the State may grant an exemption of up to twenty percent (20%) 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 by each Participant may be considered each year, but must be adopted by May 1.

Additional Homestead Exemptions: Each Participant 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 the respective governing body of such Participant. Qualifying surviving spouses of persons aged 65 years or older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A Participant may be required to offer such an exemption if a majority of voters approve it at an election. A Participant 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. Each Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a Participant's obligation to pay tax-supported debt incurred prior to adoption of the exemption by a Participant.

Tax Freeze: The governing body of each Participant may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the Participant, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferrable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established, the tax rate limitation may not be repealed or rescinded.

Abatements: The City or the County are authorized to enter into a tax abatement agreement with an owner of real or personal property in the Zone, if the Zone Board approves the agreement and the governing body of the Participant approves the agreement. A tax abatement agreement may exempt from ad valorem taxation by the Participant for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property.

Property Tax Code As Applied to the City and County

The City has a 10% local option homestead exemption and an over-65 or disabled exemption of \$90,000. It has not elected to freeze taxes.

The County has a 20% local option homestead exemption with a \$5,000 minimum and an over-65 or disabled exemption of \$100,000. It has not elected to freeze taxes.

For County taxes allocated to the Road and Bridge Fund, the County has a 20% homestead exemption plus an additional \$3,000 homestead exemption mandated by Article VIII, Section 1-a of the Texas Constitution. All exemptions related to persons 65 years of age or older and disabled persons are uniform for all County taxes.

Valuation of Property for Taxation

Generally, property within the boundaries of each Participant must be appraised by its Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by its Appraisal Review Board, it is used by each Participant in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are generally to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

In determining the market value of property, the Appraisal District is required by Texas law to consider the cost, income and market data comparison methods of appraisal and must use the method the Chief Appraiser of the Appraisal District considers most appropriate. If the cost method of appraisal is used to determine the market value of the property, the Appraisal District is required to (i) use cost data from generally accepted sources; (ii) make appropriate adjustments for physical, functional, or economic obsolescence; (iii) make available on request cost data developed and used by the Appraisal District as applied to all properties within a property category; (iv) clearly state the reason for any variation between generally accepted cost data and locally produced cost data if the data vary by more than 10 percent; and (v) make available to the property owner on request all applicable market data that demonstrate the difference between the replacement cost of the improvements to the property and the depreciated

value of the improvements. If the Appraisal District uses the income method of appraisal to determine the market value of real property, the Appraisal District is required to: (i) use rental income and expense data pertaining to the property if possible and applicable; (ii) make any projections of future rental income and expenses only from clear and appropriate evidence; (iii) use data from generally accepted sources in determining an appropriate capitalization rate; and (iv) determine a capitalization rate for income-producing property that includes a reasonable return on investment, taking into account the risk associated with the investment. If the Appraisal District uses the market data comparison method of appraisal to determine the market value of real property, the Appraisal District is required to use comparable sales data if possible and adjust the comparable sales to the subject 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 fair 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. 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 affected Participant can collect taxes based on the new use, including taxes for the previous five (5) years for open space land and timberland.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property, or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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.

Reappraisal of Property after Disaster

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% damaged by a disaster and located within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit adopting its tax rate for the tax year. A taxing unit 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.

Taxpayer Remedies

The Property Tax Code establishes an appraisal review board in each county with responsibility for resolving disputes between taxpayers and the appraisal district. It is also empowered to determine challenges initiated by taxing units, correct clerical errors in the appraisal records and the appraisal rolls, act on motions to correct appraisal rolls, and determine whether an exemption or a partial exemption is improperly granted. The appraisal review board is independent of the appraisal district. In counties with more than 120,000 in population, the local administrative district judge appoints the appraisal review board members.

A property owner is entitled to protest the value of a tract of property before the appraisal review board in the following circumstances: the value the appraisal district placed on the property is too high; the property was

unequally appraised; the appraisal district denied a special appraisal, such as open-space land; the appraisal district failed to provide the property owner with required notices; or as otherwise permitted under the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the Comptroller (as hereinafter defined), and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

A property owner who files a protest must pay the amount of taxes due on the portion of the taxable value of the property subject to the protest that is not in dispute before the delinquency date or the property owner forfeits the right to proceed to a final determination of the protest.

Property owners who are dissatisfied with the decision of the appraisal review board may appeal the decision. Depending upon the circumstances, the property owner may be able to require the appraisal district to go to binding arbitration or to have the appeal heard by the State Office of Administrative Hearings.

If those remedies are not available or if the property owner prefers, it has the right to appeal the decision of the appraisal review board to the state district court in which the property is located. The district court review is by trial de novo, and the district court is required to try all issues of fact and law raised by the pleadings in the manner applicable to civil suits generally. Any party is entitled to trial by jury on demand. The district court will grant relief if it determines that the appraised value of the property exceeds the appraised value required by law or the property is appraised unequally.

A party may appeal the final judgment of the district court as provided by law for appeal of civil suits generally, except that an appeal bond is not required of the chief appraiser, the county, the Comptroller, or the commissioners court.

State Law Limitations on Setting the Annual Tax Rate

City: Article XI, Section 5 of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

County: Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for all purposes of a county’s General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service on bonds or other debt issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from \$0.40 of the foregoing \$0.80 maximum tax rate, as calculated at the time of issuance.

Article III, Section 52 of the Texas Constitution authorizes the County to levy a direct, continuing ad valorem tax on all taxable property within the County, without limit as to rate or amount to pay the principal of and interest on the County’s road bonds if approved by the voters in the County. The principal amount of unlimited tax road bonds issued by the County and outstanding at any point in time, aggregated with outstanding unlimited tax debt of certain road districts located within the County cannot exceed 25% of the assessed valuation of all real property located in the County.

Article VIII, Section 9 of the Texas Constitution and State statute authorize the County to levy a special Road and Bridge Fund Tax (the “*Road and Bridge Maintenance Tax*”) in an amount not to exceed \$0.15 per \$100 assessed valuation, no part of which may be used for debt service, if approved by the voters.

Article VIII, Section 1-a of the Texas Constitution and State statute permit the County to levy a tax for Farm-to-Market Road and Flood Control purposes (the “*Farm-to-Market Road and Flood Control Tax*”) in an amount not to exceed \$0.30 per \$100 assessed valuation after the mandatory \$3,000 homestead exemption, if approved by the voters. There is no allocation prescribed by statutes between debt service and maintenance.

Section 1301.003, Texas Government Code, as amended, limits the amount of limited tax obligations of counties issued pursuant to such authority for those certain purposes as follows:

Courthouse	2% of Taxable Assessed Valuation
Jail	1 1/2% of Taxable Assessed Valuation
Courthouse and Jail	3 1/2% of Taxable Assessed Valuation
Bridge	1 1/2% of Taxable Assessed Valuation

Applicable to Both Participants: The Property Tax Code further limits a Participant's ad valorem tax rate, which consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under the Property Tax Code, the assessor for the Participant must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the jurisdiction to the governing body of the Participant by August 1 or as soon as practicable thereafter.

The Property Tax Code uses the terms "voter-approval tax rate" and "no-new-revenue tax rate." The "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate." The "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted). The "unused increment rate" means the cumulative difference between a Participant's voter-approval tax rate and its actual tax rate for each of the three preceding tax years, which may be applied to a Participant's tax rate in the current tax year without impacting the "voter-approval tax rate." For Tax Year 2024 and thereafter, the "unused increment rate" means the cumulative foregone revenue amount for the three tax years prior to the current tax year divided by the total taxable value of property for the current year, less exemptions.

The Participant must annually calculate its "voter-approval tax rate" and "no-new revenue tax rate" in accordance with forms prescribed by the Comptroller and provide notice of such rates to each owner of taxable property within the Participant and the county tax assessor-collector for each county in which all or part of the Participant is located. The Participant must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the "voter-approval tax rate" must be adopted not later than the 71st day before the next occurring November uniform election date. If the Participant fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the "no-new-revenue tax rate" for the current tax year or the tax rate adopted by the Participant for the preceding tax year.

As described below, the Property Tax Code provides that if the Participant adopts a tax rate that exceeds its "voter-approval tax rate" or, in certain cases, its "de minimis rate," an election must be held to determine whether or not to reduce the adopted tax rate to the "voter-approval tax rate." The "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax rate levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

The Participant may not adopt a tax rate that exceeds the lower of the "voter-approval tax rate" or the "no-new-revenue tax rate" until each appraisal district in which the Participant participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the Participant has held a public hearing on the proposed tax increase. For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the "voter-approval tax rate," the Participant must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the "voter-approval tax rate." Cities with a population of 30,000 or less are given more flexibility in setting their tax rate if their proposed rate generates less than \$500,000 more in revenues than the previous year's tax rate. In that case, citizens may petition for an election if the proposed rate exceeds the greater of the City's voter-approval tax rate (a 3.5 percent rate plus the unused increment rate) or the voter approval tax rate calculated as if the city were a special taxing unit (an 8 percent rate).

Any Participant located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such Participant’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

County taxes may be adjusted for county hospital expenditures and county indigent defense compensation expenditures.

State law provides cities and counties in the State the option of assessing a maximum one-half percent sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the “no-new-revenue tax rate” and “voter-approval tax rate” must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

Collection of Taxes

Each Participant is responsible for the collection of its taxes unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. The Participant’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 residential homestead, 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 equal 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 a person 65 years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Participant’s Rights in the Event of Tax Delinquencies

Taxes levied by each Participant 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 and each taxing unit having power to tax the property. Each Participant’s tax lien is on a parity with tax liens of 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 another taxing entity is determined by applicable federal law.

At any time after taxes on property become delinquent, a Participant may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the limitations with respect to residential homesteads described in the preceding section. In filing a suit to foreclose a tax lien on real property, the Participant 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 and by bankruptcy proceedings that may restrict collection of taxpayer debts. A taxpayer has the right to redeem a mineral estate or property that was used at the time the suit was filed for residential homestead or agricultural purposes within two years after the purchaser’s deed issued at the foreclosure sale is filed in the county’s real property records. A taxpayer has the right to redeem property that was used for all other purposes within six months after the purchaser’s deed is filed in the county records. See “RISK FACTORS—Limitations on Tax Collections and Foreclosure Remedies.”

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a 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 the Participants 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.

Effect of FIRREA on Tax Collections

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“*FIRREA*”) contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“*FDIC*”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

These provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the Zone and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

SALES AND USE TAX COLLECTION PROCEDURES

The City imposes a 1½% sales and use tax (“*Sales Tax*”) on all taxable transactions within the City, ½% of which is designated for a Crime Prevention and Control District and not available to the Zone. The Comptroller of Public Accounts of the State (the “*Comptroller*”) collects the Sales Tax on transactions within the boundaries of the City. The Sales Tax is levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by Chapters 131 and 321, Texas Tax Code.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. “Taxable services” include certain amusement services, cable television services, personal services, motor vehicle parking and storage services, the repair, remodeling, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling, security services, telephone answering services, and internet access service. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, certain coin-operated machine sales, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential and certain other uses (unless a city has taken steps to repeal the exemption), certain property used in manufacturing, certain telecommunication services, newspapers, magazines, and basic fees for internet access service. During an annual “tax holiday,” clothing and other items are exempt. In addition, items which are taxed under other State laws are generally exempt from Sales Tax. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the Sales Tax. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales and use taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In addition to the local Sales Taxes levied by the City, as described above, the State levies and collects a 6.25% sales and use tax against essentially the same taxable items and transactions as are subject to the City’s Sales Tax. Under current State law, the maximum aggregate local sales and use tax which may be levied within a given area by most political subdivisions within such area is 2%, which when added to the State sales tax rate of 6.25% equals a total rate of 8.25%.

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, political subdivisions and other special districts having sales tax powers. Certain limited

items are taxed for the benefit of the State under sales tax statutes, such as certain natural resources and other items described above, and are not subject to the local sales tax of political subdivisions and counties, including the City.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the “taxpayer” who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more in sales and use tax dollars for a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 in sales and use tax dollars for a calendar month or \$1,500 in a calendar quarter submit their tax collections quarterly. Generally, taxpayers are required to submit tax reports to the Comptroller on the same date as payment is due. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible, but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly, with the largest payments being made quarterly in February, May, August and November.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller’s audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use taxes in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures, such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A political subdivision may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2 of 1% of the amount of taxes due on a timely return as reimbursement for the cost of collecting sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made may deduct and withhold 1.75% of the amount of the prepayment in addition to the 1/2 of 1% allowed for the cost of collecting the sales and use tax.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be subject to and accompanied by the unqualified 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 payable from the Pledged Revenues, based upon his 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. See “TAX MATTERS” for a further discussion of the opinion of Bond Counsel. Included as “APPENDIX C—PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL” is the substantial form of opinion that Bond Counsel will render in connection with the issuance of the Bonds.

In its capacity as Bond Counsel, Bond Counsel has reviewed the information under captions “SOURCE AND SECURITY FOR PAYMENT,” “THE BONDS” (exclusive of subcaption “Book-Entry-Only System”), “THE

INDENTURE,” “THE DEVELOPMENT PLAN,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” in the Official Statement and such firm is of the opinion that the information under such captions and subcaptions is a fair and accurate statement or summary of the procedures, laws and documents described therein and the information under the caption “TAX MATTERS” is correct as to matters of law. Certain additional legal matters will be passed upon for the Authority by Norton Rose Fulbright US LLP in its capacity as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Underwriter’s Counsel. The legal fees to be paid to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The 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 that 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-Litigation Certificate

The Authority will furnish the Underwriter a certificate dated as of the Delivery Date of the Bonds, to the effect that there is not pending, and to the knowledge of the officers executing the certificate, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the Zone, or the title of the officers thereof to their respective offices, and that no Additional Parity Bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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 (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations.

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 Authority has covenanted in the Bond Order that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order 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 Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the Authority, the Authority’s Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Authority should fail to comply with the covenants in the Bond Order 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 IRS. 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.

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 Internal Revenue Service (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 includable 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") may be 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 a 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 Preliminary Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter 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 Preliminary 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.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The Authority will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Authority and entities aggregated with the Authority under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the Authority and entities aggregated with the Authority under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

NO MUNICIPAL BOND INSURANCE

The Authority has not made application for a commitment for municipal bond guaranty insurance on the Bonds or for a Reserve Fund Surety Policy, nor would it expect to be successful had it done so. Purchasers of the Bonds must rely solely on the Pledged Revenues for payment of principal and interest on the Bonds.

NO MUNICIPAL BOND RATING

The Authority has not made application for a municipal bond rating on the Bonds nor would it expect to be successful had it done so. Purchasers of the Bond should carefully review the terms of this Official Statement and especially the section entitled "RISK FACTORS."

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Authority has made the following agreement for the benefit of the registered and beneficial holders of the Bonds. The Authority is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"), or any successor to its functions as a repository, through its Electronic Municipal Market Access ("EMMA") system with the identifying information required by the MSRB.

Annual Reports

The Authority will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement in **Schedule 1** (for most recent certified values available), **Schedule 2** (using debt service on debt outstanding at the end of the Authority's fiscal year), **Schedules 3 through 7** and **APPENDIX B: CITY OF MANVEL, TEXAS ANNUAL FINANCIAL REPORT**. The Authority is not obligating itself to provide projections with respect to future tax years in connection with its continuing disclosure undertaking. Commencing with its fiscal year ending September 30, 2024, the Authority will also provide its own financial statements. The Authority will update and provide this information within six months after the end of each fiscal year.

The updated information will include audited financial statements, if the City or 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 the accounting principles described in APPENDIX B or such other accounting principles as the City or Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority's fiscal year end is currently 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.

Specified Event Notices

The Authority will also provide notice to the MSRB of any of the following events with respect to the Bonds in a timely manner and not more than 10 business days after the occurrence of the event: (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-exempt status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners, 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (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 if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority 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 any of which reflect financial difficulties.

The terms "obligated person" and "financial obligation" when used in the section captioned "CONTINUING DISCLOSURE OF INFORMATION" shall have the meanings ascribed to them under the Rule. The term "material" when used in the section captioned "CONTINUING DISCLOSURE OF INFORMATION" shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt services reserves, or liquidity enhancement.

In addition, the Authority will notify the MSRB, in a timely manner, of any failure by the Authority to provide financial information or operating data in accordance with its agreement described above under "Annual Reports" by the time required by that section.

Availability of Information from MSRB

The Authority has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at 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, operations, conditions or prospects or 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 owners and beneficial owners of the 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 to 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 (1) 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 Rule to the date of such amendment, as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) a qualified professional unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners and Beneficial Owners. 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. The Authority may also amend or repeal its continuing disclosure agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters a judgment that such provisions of the Rule are invalid, and the Authority also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority amends its agreement, it must include with the next financial information and operating data 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 information and data provided.

Compliance with Prior Undertakings

The Authority has complied in all material respects with its prior continuing disclosure undertaking.

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 records of the City, the County Tax Assessor/Collector, the Appraisal District, the Authority, and 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 the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the Authority. Inclusion of such information herein is not to be construed as a representation on the part of the Authority, except that the Authority has represented to the Underwriter that it 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. 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.

Financial Advisor

Hilltop Securities Inc. is employed as Financial Advisor to the Authority to render certain professional services, including advising the Authority on a plan of financing and the Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its 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 Financial Advisor does not guarantee the accuracy or completeness of such information. The fees paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

Audited Financial Statements

Belt Harris Pechacek, LLLP, the City's independent auditor, has consented to the inclusion of its opinion and the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2023 as Appendix B to the Official Statement. Belt Harris Pechacek, LLLP has not performed any procedures on such financial statements since the date of such report, nor have they performed any procedures on any other financial information of the Authority, including without limitation any of the information contained in this Official Statement.

The City currently reports the schedule of revenues, expenditures, and changes in fund balances of the Zone and the Authority as nonmajor special revenue funds of the City in its government-wide financial statements. The Authority has covenanted in the Bond Resolution to annually prepare its own independent financial statements commencing with the fiscal year ending September 30, 2024 and engage an independent auditor to audit such financial statements. The Bonds do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, obligation or a loan of credit of the City. The City is not obligated to make payments on the Bonds.

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 has been approved by the Board of Directors of South Manvel Development Authority.

[The remainder of this page intentionally left blank]

THIS PAGE LEFT BLANK INTENTIONALLY

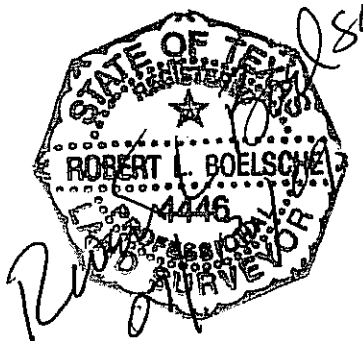
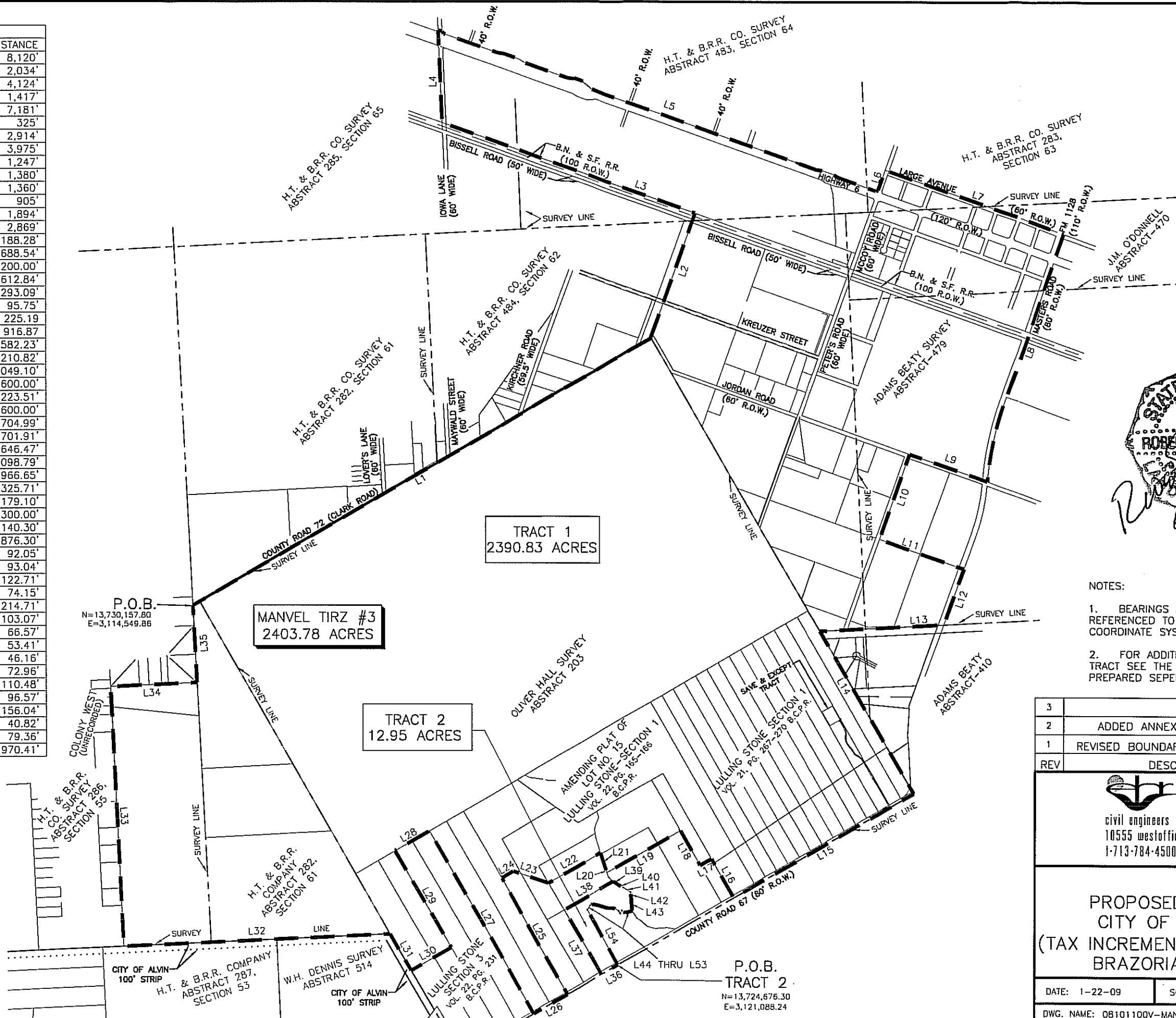
APPENDIX A

BOUNDARY MAP

The boundaries of the Zone are depicted in the map contained in this Appendix. See “STATUS OF DEVELOPMENT.”

THIS PAGE LEFT BLANK INTENTIONALLY

LINE	BEARING	DISTANCE
L1	NORTHEASTERLY	8,120'
L2	NORTHEASTERLY	2,034'
L3	NORTHWESTERLY	4,124'
L4	NORTHERLY	1,417'
L5	SOUTHEASTERLY	7,181'
L6	NORTHEASTERLY	325'
L7	SOUTHEASTERLY	2,914'
L8	SOUTHWESTERLY	3,975'
L9	NORTHWESTERLY	1,247'
L10	SOUTHWESTERLY	1,380'
L11	SOUTHEASTERLY	1,360'
L12	SOUTHWESTERLY	905'
L13	WESTERLY	1,894'
L14	S 30°16'05" E	2,869'
L15	S 59°57'12" W	3,188.28'
L16	N 30°02'46" W	688.54'
L17	S 59°57'14" W	200.00'
L18	N 30°02'46" W	612.84'
L19	S 59°57'12" W	1,293.09'
L20	N 19°17'03" W	95.75'
L21	N 18°46'45" W	225.19'
L22	S 59°57'12" W	916.87'
L23	N 71°59'30" W	582.23'
L24	S 59°53'05" W	210.82'
L25	S 30°02'48" E	2,049.10'
L26	S 59°57'12" W	600.00'
L27	N 30°02'48" W	3,223.51'
L28	S 59°53'03" W	600.00'
L29	S 30°02'48" E	1,704.99'
L30	S 59°53'35" W	701.91'
L31	N 29°57'14" W	646.47'
L32	S 87°19'17" W	4,098.79'
L33	N 02°52'03" W	3,966.65'
L34	N 87°13'12" E	1,325.71'
L35	N 03°03'24" W	1,179.10'
L36	S 59°57'12" W	300.00'
L37	N 30°02'48" W	1,140.30'
L38	N 59°57'12" E	876.30'
L39	S 56°42'47" E	92.05'
L40	S 62°15'15" E	93.04'
L41	S 56°44'16" E	122.71'
L42	S 08°14'48" E	74.15'
L43	S 04°03'51" E	214.71'
L44	S 72°07'42" W	103.07'
L45	N 56°29'15" W	66.57'
L46	S 27°57'22" W	53.41'
L47	N 31°13'20" W	46.16'
L48	N 56°48'48" W	72.96'
L49	S 89°05'06" W	110.48'
L50	N 74°51'10" W	96.57'
L51	N 76°53'16" W	156.04'
L52	S 63°18'12" W	40.82'
L53	S 35°14'44" W	79.36'
L54	S 30°02'48" E	970.41'



- NOTES:
- BEARINGS AND COORDINATES SHOWN ARE REFERENCED TO THE TEXAS STATE PLANE COORDINATE SYSTEM, ZONE 4204, NAD 1983.
 - FOR ADDITIONAL INFORMATION ABOUT THIS TRACT SEE THE METES AND BOUNDS DESCRIPTION PREPARED SEPERATELY.

REV	DESCRIPTION	BY	DATE
3			
2	ADDED ANNEXATION TRACT 2	JW	07/02/09
1	REVISED BOUNDARY LINES 29 & 30	RB	01/14/09

Edminster · Hinshaw · Russ
and associates
civil engineers · surveyors · land planners
10555 westoffice drive houston, texas 77042
1-713-784-4500 1-713-784-4577 www.ehrrainc.com

PROPOSED BOUNDARY MAP
CITY OF MANVEL TIRZ #3
(TAX INCREMENT REINVESTMENT ZONE)
BRAZORIA COUNTY, TEXAS

DATE: 1-22-09	SCALE: 1" = 1500'	JOB NO.: 081-011-00
DWG. NAME: 08101100V-MANVEL-TIRZ#3-2.dwg		DRAWING NO.: NONE

P.O.B.
N=13,730,157.80
E=3,114,549.86

MANVEL TIRZ #3
2403.78 ACRES

TRACT 1
2390.83 ACRES

TRACT 2
12.95 ACRES

P.O.B.
N=13,724,676.30
E=3,121,088.24

THIS PAGE LEFT BLANK INTENTIONALLY

APPENDIX B

**CITY OF MANVEL, TEXAS
ANNUAL FINANCIAL REPORT**

The City currently reports the schedule of revenues, expenditures, and changes in fund balances of the Zone and the Authority as nonmajor special revenue funds of the City in its government-wide financial statements. The Bonds do not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, obligation or a loan of credit of the City. The City is not obligated to make payment on the Bonds.

THIS PAGE LEFT BLANK INTENTIONALLY



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Manvel, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manvel, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, 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 these 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 City'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.

Auditors' Responsibilities for the Audit of the 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 City'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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, budgetary comparison information, schedule of changes in net pension and total other postemployment benefits liability and related ratios, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 11, 2024

(This page intentionally left blank.)

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

(This page intentionally left blank.)

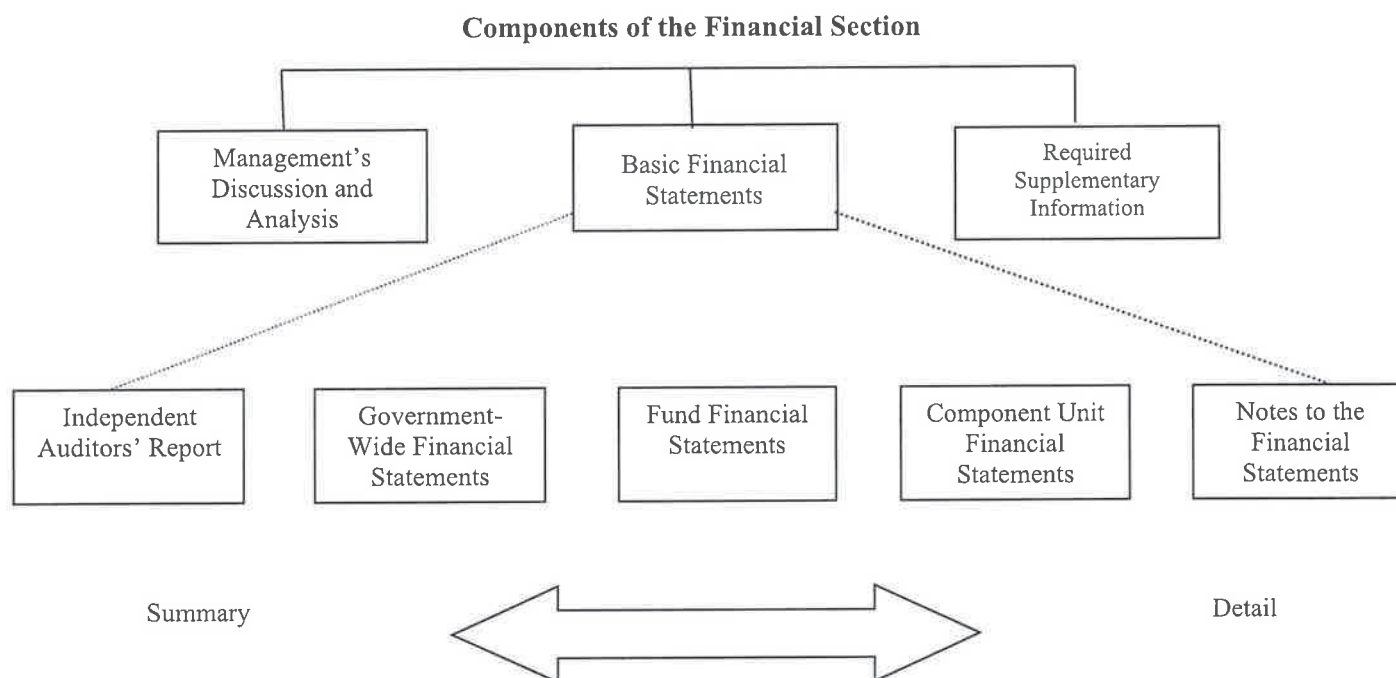
CITY OF MANVEL, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Manvel, Texas (the "City") for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government; public safety; public works; municipal court; information technology; and library, parks, and recreation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds for reporting purposes.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The City adopts an annual appropriated budget for its general fund, debt service fund, hotel taxes fund, court security fund, court technology fund, TIRZ No. 3 fund, South Manvel Development Authority fund, community impact fund, law enforcement fund, park fund, the public education government (PEG) fees fund, municipal jury fund, and truancy prevention fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds

The City maintains two types of proprietary funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution and wastewater collection/treatment. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for vehicle and equipment replacement costs. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$38,118,037 as of year end for the primary government. A portion of the City's net position, 59%, reflects its investments in capital assets (e.g., land, buildings, equipment, streets, and drainage systems) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental		Business-Type		Reconciliation		Reconciled Total Primary Government	
	Activities		Activities					
	2023	2022	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 61,915,111	\$ 27,898,118	\$ 1,564,784	\$ 1,126,464	\$ -	\$ -	\$ 63,479,895	\$ 29,024,582
Capital assets, net	20,842,353	19,713,314	15,302,758	14,032,960	-	-	36,145,111	33,746,274
Total Assets	82,757,464	47,611,432	16,867,542	15,159,424	-	-	99,625,006	62,770,856
Deferred charge on refunding	4,075	5,433	-	-	-	-	4,075	5,433
Deferred outflows - pensions	811,939	455,707	61,223	20,515	-	-	873,162	476,222
Deferred outflows - OPEB	27,226	32,399	-	-	-	-	27,226	32,399
Total Deferred Outflows of Resources	843,240	493,539	61,223	20,515	-	-	904,463	514,054
Long-term liabilities	55,389,971	21,666,020	108,728	22,934	-	-	55,498,699	21,688,954
Other liabilities	6,522,597	6,380,129	237,246	252,899	-	-	6,759,843	6,633,028
Total Liabilities	61,912,568	28,046,149	345,974	275,833	-	-	62,258,542	28,321,982
Deferred inflows - pensions	91,706	397,653	6,915	23,024	-	-	98,621	420,677
Deferred inflows - OPEB	54,269	10,082	-	-	-	-	54,269	10,082
Total Deferred Inflows of Resources	145,975	407,735	6,915	23,024	-	-	152,890	430,759
Net Position:								
Net investment in capital assets	9,616,479	8,603,733	15,302,758	14,032,960	(2,528,927)	(3,381,987)	22,390,310	19,254,706
Restricted	6,105,067	6,445,693	-	-	-	-	6,105,067	6,445,693
Unrestricted	5,820,615	4,601,661	1,273,118	848,122	2,528,927	3,381,987	9,622,660	8,831,770
Total Net Position	\$ 21,542,161	\$ 19,651,087	\$ 16,575,876	\$ 14,881,082	\$ -	\$ -	\$ 38,118,037	\$ 34,532,169

A portion of the primary government's net position, \$6,105,067, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,622,660, may be used to meet the City's ongoing obligation to citizens and creditors.

Net position increased by \$3,585,868 compared to the prior year. Total current fiscal year assets increased by \$36,854,150 from the prior fiscal year. This increase in total assets includes an increase in capital assets of \$2,398,837 and an increase in current and other assets of \$34,455,313, which was primarily due to proceeds from debt issuances that were unspent at the end of the fiscal year. Total liabilities increased by \$33,936,560 from the prior year, which was primarily due to the issuance of debt. There was an increase in deferred outflows of resources and a decrease in deferred inflows of resources, which was primarily due to the change in deferred outflows and inflows that are related to the City's net pension liability.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 4,030,062	\$ 4,863,237	\$ 2,011,611	\$ 1,648,816	\$ 6,041,673	\$ 6,512,053
Operating grants and contributions	306,527	-	-	-	306,527	-
General revenues:						
Property taxes	8,510,353	6,496,144	-	-	8,510,353	6,496,144
Sales taxes	2,471,754	2,218,512	-	-	2,471,754	2,218,512
Other taxes and fees	860,435	709,416	-	-	860,435	709,416
Investment earnings	2,010,475	188,428	-	-	2,010,475	188,428
Other revenues	24,933	117,303	-	-	24,933	117,303
Total Revenues	18,214,539	14,593,040	2,011,611	1,648,816	20,226,150	16,241,856
Expenses						
General government	5,217,693	4,355,799	-	-	5,217,693	4,355,799
Public safety	4,846,541	4,380,747	-	-	4,846,541	4,380,747
Public works	2,612,606	1,992,306	-	-	2,612,606	1,992,306
Library, parks, and recreation	93,327	89,761	-	-	93,327	89,761
Information technology	507,310	542,234	-	-	507,310	542,234
Interest and fiscal agent fees on long-term debt	1,545,640	587,771	-	-	1,545,640	587,771
Water and sewer	-	-	1,817,165	1,685,774	1,817,165	1,685,774
Total Expenses	14,823,117	11,948,618	1,817,165	1,685,774	16,640,282	13,634,392
Increase (Decrease) in Net Position Before Transfers	3,391,422	2,644,422	194,446	(36,958)	3,585,868	2,607,464
Transfers in (out)	(1,500,348)	(2,910,231)	1,500,348	2,910,231	-	-
Change in Net Position	1,891,074	(265,809)	1,694,794	2,873,273	3,585,868	2,607,464
Beginning net position	19,651,087	19,916,896	14,881,082	12,007,809	34,532,169	31,924,705
Ending Net Position	\$ 21,542,161	\$ 19,651,087	\$ 16,575,876	\$ 14,881,082	\$ 38,118,037	\$ 34,532,169

For the year ended September 30, 2023, revenues from governmental activities totaled \$18,214,539. Current fiscal year revenues increased by \$3,621,499. The net change in revenues included a significant increase in property tax revenues of \$2,014,209 due to an increase in the assessed values of properties within the City and an increase in investment earnings of \$1,822,047 due to higher interest rates earned on investments. The net increase in revenues also includes a significant decrease in revenues for charges for services of \$833,175 primarily due to less revenues received for permits.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

For the year ended September 30, 2023, expenses for governmental activities totaled \$14,823,117. Total expenses increased \$2,874,499 compared to the prior year, which can be attributed primarily to increases in personnel costs and interests expense from debt.

Business-type activities net position increased by \$1,694,794. Current year revenues increased \$362,795 compared to the prior year mainly due to an increase in total billings related to an increase in utility billing rates. Current year expenses increased by \$131,391 primarily due to an increase in costs related to maintenance on the water and wastewater infrastructure.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$54,818,645. Of this, \$433,354 is restricted for debt service, \$1,110,758 is restricted by enabling legislation, \$1,014,928 is restricted for a tax increment reinvestment zone, \$43,577,063 is restricted for capital projects, \$210,964 is restricted for special projects, \$291,798 is committed for road maintenance, \$23,189 is nonspendable in the form of prepaid items, and \$8,156,591 is unassigned.

The general fund had an increase in fund balance of \$31,719. The general fund reported a fund balance of \$8,471,578 at year end. The general fund fund balance makes up approximately 67% of the annual general fund expenditures. Compared to the prior year, revenues increased \$500,149 which was mainly due to an increase in property tax revenues related to an increase in the assessed values of properties within the City along with an increase in property tax rates. Expenditures increased \$1,066,434 compared to the prior year. Expenditures primarily increased due to an increase in personnel cost. The change in general fund balance also included transfers from nonmajor funds of \$576,010 for reimbursement of services for the South Manvel Development Authority and transfers to the capital projects fund of \$450,000.

The debt service fund had a decrease in fund balance of \$2,105, which is due to property tax revenues collected being less than the debt service payments.

The capital projects fund had a fund balance of \$43,577,063, which was an increase of \$33,753,157 compared to the prior year due mainly to an increase from proceeds related to debt issuances.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were less than the final budgeted revenues by a net \$749,998, which is primarily due to less licenses and permits revenues than expected. General fund expenditures were less than the final budget by \$1,020,707 during the year due primarily to positive budget variances in expenditures for general government, public safety, public works, and information technology.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$36,145,111 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$2,398,837 from the prior year.

Major capital asset events during the year included the following:

- Construction in progress for the City's municipal complex of \$646,226
- Purchase of City equipment and vehicles of \$675,777
- Wastewater improvements of \$1,109,896

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total general obligation bonds and certificates of obligation of \$51,495,000. Of this amount, \$710,000 represents general obligation bonds and \$50,785,000 represents certificates of obligation.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a \$15,228,534 general fund budget for the 2023-2024 fiscal year. The tax rate adopted for the fiscal year 2023-2024 budget will be \$0.56 per \$100 in property valuation, which is a \$0.01 decrease from fiscal year 2022-2023. The budget will raise more revenue from property taxes than last year's budget by approximately \$3,018,875 due to an increase in property values.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Finance Director, City of Manvel, 20025 Highway 6, Manvel, Texas 77578 or by telephone at 281.489.0630.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

Primary Government

	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	\$ 17,425,979	\$ 985,182	\$ -	\$ 18,411,161
Receivables, net	1,141,009	392,665	-	1,533,674
Due from other governments	-	4,091	-	4,091
Prepaid items	23,189	-	-	23,189
Restricted assets:				
Cash and investments	43,324,934	182,846	-	43,507,780
Total Current Assets	61,915,111	1,564,784	-	63,479,895
Noncurrent assets:				
Nondepreciable	13,647,289	6,257,492	-	19,904,781
Net depreciable	7,195,064	9,045,266	-	16,240,330
Total Noncurrent Assets	20,842,353	15,302,758	-	36,145,111
Total Assets	82,757,464	16,867,542	-	99,625,006
Deferred Outflows of Resources				
Deferred charge on refunding	4,075	-	-	4,075
Deferred outflows - pensions	811,939	61,223	-	873,162
Deferred outflows - OPEB	27,226	-	-	27,226
Total Deferred Outflows of Resources	843,240	61,223	-	904,463
Liabilities				
Accounts payable and accrued liabilities	866,891	54,400	-	921,291
Customer deposits	-	182,846	-	182,846
Accrued interest payable	252,066	-	-	252,066
Due to component unit	232,464	-	-	232,464
Unearned revenue	5,171,176	-	-	5,171,176
Total Current Liabilities	6,522,597	237,246	-	6,759,843
Noncurrent liabilities:				
Long-term liabilities due within one year	2,038,565	10,216	-	2,048,781
Long-term liabilities due in more than one year	53,351,406	98,512	-	53,449,918
Total Noncurrent Liabilities	55,389,971	108,728	-	55,498,699
Total Liabilities	61,912,568	345,974	-	62,258,542
Deferred Inflows of Resources				
Deferred inflows - pensions	91,706	6,915	-	98,621
Deferred inflows - OPEB	54,269	-	-	54,269
Total Deferred Inflows of Resources	145,975	6,915	-	152,890
Net Position				
Net investment in capital assets	9,616,479	15,302,758	(2,528,927)	22,390,310
Restricted for:				
Debt service	202,238	-	-	202,238
Enabling legislation	1,110,758	-	-	1,110,758
Tax increment reinvestment zone	1,014,928	-	-	1,014,928
Special projects	210,964	-	-	210,964
Capital projects	3,566,179	-	-	3,566,179
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	5,820,615	1,273,118	2,528,927	9,622,660
Total Net Position	\$ 21,542,161	\$ 16,575,876	\$ -	\$ 38,118,037

See Notes to Financial Statements.

**Component
Unit**

**Manvel
Economic
Dev. Corp.**

\$ 5,788,328

-

232,464

-

79,479

6,100,271

-

-

-

6,100,271

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

6,100,271

-

\$ 6,100,271

CITY OF MANVEL, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 5,217,693	\$ -	\$ -
Public safety	4,846,541	272,548	2,171
Public works	2,612,606	3,757,514	304,356
Library, parks, and recreation	93,327	-	-
Information technology	507,310	-	-
Interest and fiscal agent fees on long-term debt	1,545,640	-	-
Total Governmental Activities	14,823,117	4,030,062	306,527
Business-Type Activities			
Water and sewer	1,817,165	2,011,611	-
Total Business-Type Activities	1,817,165	2,011,611	-
Total Primary Government	\$ 16,640,282	\$ 6,041,673	\$ 306,527
Component Unit			
Manvel Economic Development Corporation	\$ 10,460	\$ -	\$ -
Total Component Unit	\$ 10,460	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Other taxes and fees
- Investment earnings
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Manvel Economic Dev. Corp.
Governmental Activities	Business-Type Activities	Total	
\$ (5,217,693)	\$ -	\$ (5,217,693)	\$ -
(4,571,822)	-	(4,571,822)	-
1,449,264	-	1,449,264	-
(93,327)	-	(93,327)	-
(507,310)	-	(507,310)	-
(1,545,640)	-	(1,545,640)	-
(10,486,528)	-	(10,486,528)	-
-	194,446	194,446	-
-	194,446	194,446	-
(10,486,528)	194,446	(10,292,082)	-
-	-	-	(10,460)
-	-	-	(10,460)
8,510,353	-	8,510,353	-
2,471,754	-	2,471,754	1,235,877
860,435	-	860,435	-
2,010,475	-	2,010,475	201,215
24,933	-	24,933	-
(1,500,348)	1,500,348	-	-
12,377,602	1,500,348	13,877,950	1,437,092
1,891,074	1,694,794	3,585,868	1,426,632
19,651,087	14,881,082	34,532,169	4,673,639
\$ 21,542,161	\$ 16,575,876	\$ 38,118,037	\$ 6,100,271

CITY OF MANVEL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 10,676,326	\$ 432,950	\$ 3,250,381	\$ 2,312,858
Restricted cash and cash equivalents	-	-	43,324,934	-
Receivables, net	875,608	21,354	219,565	24,482
Prepaid items	23,189	-	-	-
Total Assets	\$ 11,575,123	\$ 454,304	\$ 46,794,880	\$ 2,337,340
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 788,487	\$ -	\$ 71,916	\$ 690
Unearned revenue	2,025,275	-	3,145,901	-
Due to other governments	232,464	-	-	-
Total Liabilities	3,046,226	-	3,217,817	690
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	57,319	20,950	-	-
Total Deferred Inflows of Resources	57,319	20,950	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	23,189	-	-	-
Restricted for:				
Debt service	-	433,354	-	-
Enabling legislation	-	-	-	1,110,758
Tax increment reinvestment zone	-	-	-	1,014,928
Capital projects	-	-	43,577,063	-
Special projects	-	-	-	210,964
Committed for:				
Road maintenance	291,798	-	-	-
Unassigned	8,156,591	-	-	-
Total Fund Balances	8,471,578	433,354	43,577,063	2,336,650
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,575,123	\$ 454,304	\$ 46,794,880	\$ 2,337,340

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 16,672,515
43,324,934
1,141,009
23,189
\$ 61,161,647

\$ 861,093
5,171,176
232,464
6,264,733

78,269
78,269

23,189

433,354
1,110,758
1,014,928
43,577,063
210,964

291,798
8,156,591
54,818,645

\$ 61,161,647

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023

Total fund balances – total governmental funds	\$	54,818,645
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets – nondepreciable		13,647,289
Capital assets – net depreciable		6,443,395
The issuance of long-term debt (e.g., bonds, certificates of obligation, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.		
Deferred charge on refunding		4,075
Accrued interest		(252,066)
Noncurrent liabilities due in one year		(2,038,565)
Noncurrent liabilities due in more than one year		(52,043,105)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		78,269
An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		
		1,499,335
Some items reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported within governmental funds.		
Net pension liability		(1,219,244)
Total OPEB liability		(89,057)
Deferred outflows - pensions		811,939
Deferred outflows - OPEB		27,226
Deferred inflows - pensions		(91,706)
Deferred inflows - OPEB		(54,269)
Net Position of Governmental Activities	\$	<u>21,542,161</u>

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental
Revenues				
Property taxes	\$ 4,758,544	\$ 3,001,726	\$ -	\$ 749,032
Sales taxes	2,436,647	-	-	35,107
Other taxes and fees	765,361	-	-	95,074
Charges for services	12,588	-	-	86,087
Licenses and permits	3,658,839	-	-	-
Fines and forfeitures	239,953	-	-	32,595
Intergovernmental	2,171	-	304,356	-
Investment earnings	616,912	49,374	1,320,384	23,805
Other revenues	24,933	-	-	-
Total Revenues	12,515,948	3,051,100	1,624,740	1,021,700
Expenditures				
Current:				
General government	5,148,591	-	-	74,408
Public safety	4,843,573	-	-	-
Public works	2,017,438	-	-	-
Library, parks, and recreation	93,327	-	-	-
Information technology	507,310	-	-	-
Capital outlay	-	-	3,559,793	-
Debt service:				
Principal	-	2,050,000	-	-
Interest and fiscal charges	-	1,003,205	-	-
Issuance costs	-	-	423,086	-
Total Expenditures	12,610,239	3,053,205	3,982,879	74,408
Other Financing Sources (Uses)				
Transfers in	576,010	-	683,907	1,051,983
Transfers (out)	(450,000)	-	-	(1,861,900)
Bond proceeds	-	-	33,530,000	-
Bond premium	-	-	1,897,389	-
Total Other Financing Sources (Uses)	126,010	-	36,111,296	(809,917)
Net Change in Fund Balances	31,719	(2,105)	33,753,157	137,375
Beginning fund balances	8,439,859	435,459	9,823,906	2,199,275
Ending Fund Balances	\$ 8,471,578	\$ 433,354	\$ 43,577,063	\$ 2,336,650

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,509,302
2,471,754
860,435
98,675
3,658,839
272,548
306,527
2,010,475
24,933
18,213,488

5,222,999
4,843,573
2,017,438
93,327
507,310
3,559,793

2,050,000
1,003,205
423,086
19,720,731

2,311,900
(2,311,900)
33,530,000
1,897,389
35,427,389

33,920,146

20,898,499
\$ 54,818,645

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Net changes in fund balances - total governmental funds \$ 33,920,146

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital additions from capital outlay, net of disposals	3,321,502
Capital contributions to enterprise fund	(1,500,348)
Depreciation expense	(693,285)

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.

Net change in unavailable revenue - property taxes	1,051
--	-------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond issuance	(33,530,000)
Premium	(1,897,389)
Amortization of premium	59,754
Amortization of deferred charge	(1,358)
Accrued interest	(177,745)
Principal payments	2,050,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These adjustments reflect the net changes in pension and other postemployment benefits activity and compensated absences.

Net pension liability	(437,949)
Total OPEB liability	34,671
Deferred outflows - pensions	356,232
Deferred outflows - OPEB	(5,173)
Deferred inflows - pensions	305,947
Deferred inflows - OPEB	(44,187)
Compensated absences	(3,038)

An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.

132,243

Change in Net Position of Governmental Activities **\$ 1,891,074**

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 985,182	\$ 753,464
Receivables, net	392,665	-
Due from other governments	4,091	-
Total Current Assets	1,381,938	753,464
Restricted cash and cash equivalents:		
Customer deposits	182,846	-
Noncurrent assets:		
Capital assets:		
Land	4,418,536	-
Construction in progress	1,838,956	-
Water/sewer system	12,188,070	-
Machinery and equipment	460,363	1,583,528
Less: accumulated depreciation	(3,603,167)	(831,859)
Total Noncurrent Assets	15,302,758	751,669
Total Assets	16,867,542	1,505,133
<u>Deferred Outflows of Resources</u>		
Deferred outflows - pensions	61,223	-
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	54,400	5,798
Customer deposits	182,846	-
Total Current Liabilities	237,246	5,798
Noncurrent liabilities:		
Net pension liability	91,936	-
Long-term debt due in one year	10,216	-
Long-term debt due in more than one year	6,576	-
Total Noncurrent Liabilities	108,728	-
Total Liabilities	345,974	5,798
<u>Deferred Inflows of Resources</u>		
Deferred inflows - pensions	6,915	-
<u>Net Position</u>		
Net investment in capital assets	15,302,758	751,669
Unrestricted	1,273,118	747,666
Total Net Position	\$ 16,575,876	\$ 1,499,335

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Operating Revenues</u>		
Water charges	\$ 1,061,151	\$ -
Sewer charges	633,952	-
Other revenues	316,508	280,000
Total Operating Revenues	2,011,611	280,000
<u>Operating Expenses</u>		
Personnel services	572,577	-
Utilities	139,682	-
Supplies	260,789	-
Repair and maintenance	471,552	-
Depreciation	372,565	147,757
Total Operating Expenses	1,817,165	147,757
Operating Income	194,446	132,243
Income Before Contributions	194,446	132,243
<u>Contributions</u>		
Capital contributions	1,500,348	-
Total Contributions	1,500,348	-
Change in Net Position	1,694,794	132,243
Beginning net position	14,881,082	1,367,092
Ending Net Position	\$ 16,575,876	\$ 1,499,335

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2023

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 1,766,288	\$ 280,000
Payments to suppliers	(857,641)	-
Payments to employees	(572,577)	-
Net Cash Provided by Operating Activities	336,070	280,000
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition and construction of capital assets	(142,015)	(170,724)
Proceeds from sale of assets	-	27,595
Net Cash (Used) by Capital and Related Financing Activities	(142,015)	(143,129)
Net Increase in Cash and Cash Equivalents	194,055	136,871
Beginning cash and cash equivalents	973,973	616,593
Ending Cash and Cash Equivalents	\$ 1,168,028	\$ 753,464
Ending Cash and Cash Equivalents:		
Unrestricted cash and cash equivalents	\$ 985,182	\$ 753,464
Restricted cash and cash equivalents	182,846	-
Total Ending Cash and Cash Equivalents	\$ 1,168,028	\$ 753,464

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2023

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided (Used) by Operating Activities</u>		
Operating income	\$ 194,446	\$ 132,243
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	372,565	147,757
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(224,139)	-
Prepaid items	24	-
Deferred outflows - pensions	(40,708)	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(47,807)	-
Net pension liability	78,298	-
Customer deposits	19,500	-
Deferred inflows - pensions	(16,109)	-
Net Cash Provided by Operating Activities	\$ 336,070	\$ 280,000
 Noncash Investing Activities:		
Capital contributions	\$ 1,500,348	\$ -

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Manvel (the “City”) is a political subdivision of the State of Texas (the “State”) and is considered a primary government. The voters elected on May 14, 2011 to adopt a Home Rule Charter for the City, and the election was canvassed on May 23, 2011. The municipal government provided by the Charter shall be known as a “Council-Manager” form of government. Pursuant to the provisions of, and subject only to the limitations imposed by, the state constitution, state laws, and the charter, all powers of the City shall be vested in an elective council, hereinafter referred to as the “City Council” or the “Council”, which consists of a mayor and six Council members. The Council, by majority vote of the entire Council, shall appoint a City manager, who shall be the chief administrative officer of the City. The City appointed a full-time City manager on January 16, 2012.

The City provides the following services: public safety; public works; library, parks, and recreation; information technology; water and sewer; economic development; and general administrative services.

The City is an independent political subdivision of the State and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is a legally separate entity, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Units

Manvel Economic Development Corporation

The Manvel Economic Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The mission of the Corporation is to promote economic development within the City and surrounding areas. In 1998, the City’s voters authorized a 0.5% increase in the City’s sales tax rate to provide funding for the Corporation. The Board of Directors (the “Board”) of the Corporation is appointed and may be terminated by City Council. The Board is comprised of seven directors elected to serve two-year terms. The Corporation is required to prepare an annual budget that is approved by City Council. As a discretely presented component unit, the Corporation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Manvel Cultural Education Facilities Finance Corporation

The Manvel Cultural Education Facilities Finance Corporation (MCEFFC) was organized on September 23, 2002 pursuant to the Texas Cultural Education Facilities Finance Corporation Act. The members of the Board are appointed by City Council. The MCEFFC does not pass an annual budget and has a September 30 year end. The MCEFFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate, and the MCEFFC receives a fee for issuing these bonds. These bonds are limited obligations of the MCEFFC, payable solely from revenues received by the MCEFFC pursuant to a loan agreement by and between the MCEFFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MCEFFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MCEFFC during fiscal year 2023.

Manvel Education Facilities Corporation

The Manvel Education Facilities Corporation (MEFC) was organized on June 12, 2001 pursuant to the Higher Education Authority Act. The members of the Board are appointed by City Council. The MEFC does not pass an annual budget and has a September 30 year end. The MEFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate, and the MEFC receives a fee for issuing these bonds. These bonds are limited obligations of the MEFC, payable solely from revenues received by the MEFC pursuant to a loan agreement by and between the MEFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MEFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MEFC during fiscal year 2023.

Blended Component Units

Tax Increment Reinvestment Zone Number Three

During fiscal year 2010, the City passed an ordinance creating a tax increment reinvestment zone ("TIRZ No. 3"), in accordance with Section 311.005 of the Texas Tax Code. TIRZ No. 3 consists of approximately 2,403.78 acres, which will be developed into the Seven Oaks/Meridiana Project. TIRZ No. 3 will provide the financing and management tools needed to help stimulate the development of commercial and residential areas within TIRZ No. 3. TIRZ No. 3 is managed by a five member Board, of which the City Council appoints positions one through four and position five is appointed by Brazoria County. TIRZ No. 3 has a life of 40 years and has committed 50% of its sales tax and 100% of its property tax, less cost of service, for the duration, or until dissolved by the City. Brazoria County has committed 40% of its property tax beginning in 2013 (unless an earlier date is agreed to) for a period of 30 years from the first year payment.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

South Manvel Development Authority

Upon the recommendation of the TIRZ No. 3 Board, the City Council authorized the submission of an application for formation of the South Manvel Development Authority (SMDA). SMDA is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the area included in TIRZ No. 3, as such boundaries may be amended from time to time, and neighboring areas and to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the City. SMDA was created on February 14, 2011, pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. All powers of SMDA shall be vested in a board comprised of the same five Board members as TIRZ No. 3.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and intergovernmental revenue. Expenditures include general government; public safety; public works; library, parks, and recreation; and information technology. The general fund is always considered a major fund for reporting purposes.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sales of bonds, as well as related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include hotel taxes, court security, court technology, TIRZ No. 3, South Manvel Development Authority, community impact, law enforcement, park, public education government (PEG) fee, municipal jury, and truancy prevention funds. These funds are considered nonmajor funds for reporting purposes.

The City reports the following proprietary fund:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

Additionally, the City reports the following fund type:

The *internal service fund* accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The internal service fund is used to account for vehicle and equipment costs.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

current financial resources or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 City 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) and are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the capital projects fund, enterprise fund, and the Corporation are restricted by bond covenants, customers deposits, and contractual agreements.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Major road improvements of \$50,000 or more are also recorded as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Machinery and equipment	5 to 7 years
Buildings, improvements, and roads	10 to 60 years
Water and sewer system	55 years

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidations. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line in the government-wide Statement of Net Position.

8. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave on a monthly basis up to a maximum of two times the employee's current accrual rate. Accrual rates are based upon the years of service. Compensatory time not used can also be accumulated. Non-exempt employees may accrue compensatory time in lieu of being paid overtime compensation. Public safety employees are subject to a 480 hours cap on the accrual of compensatory time. Other employees are subject to a cap of 240 hours. Personal leave and compensatory time amounts accumulated may be paid to employees upon termination of employment or at retirement.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Though a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

10. Leases

The City is a lessee for noncancellable leases of equipment. The City would recognize a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements for the noncancellable leases of equipment. The City’s leases are immaterial to the financial statements as a whole and are not recognized as a lease liability or a lease asset. The total payments on the lease of equipment are reported as operational cost.

The City is a lessor for a noncancellable lease of City property. The City would recognize a lease receivable and deferred inflows of resources from leases in the general fund and governmental activities for the noncancellable lease of City property. The City’s lease receivable and deferred inflows of resources from leases are immaterial to the financial statement as a whole and not reported. The City’s lease receipts for the lease of City property is reported as revenue in the general fund.

11. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

12. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

13. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Postemployment Benefits

The City participates in defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expenses is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied on October 1 of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Encumbrance accounting is not utilized.

A. Expenditures in Excess of Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations at the legal level of control for the following expenditures in the general fund and truancy prevention nonmajor fund.

General fund		
Library, parks, and recreation	\$	1,027
Truancy prevention nonmajor fund		
General government	\$	5,272

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
TexPool	\$ 2,023,156	0.07
TexSTAR	10,475,197	0.03
LOGIC	51,591,782	0.11
Total Value	\$ 64,090,135	
Portfolio weighted average maturity		0.09

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit risk. The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than ‘AAA’ or ‘AAA-m’, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2023, the City’s investments in investment pools were rated ‘AAA’ or ‘AAAm’ by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of fiscal year end, the fair market values of pledged securities and FDIC coverage were more than the bank balances.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexSTAR's liquidity.

LOGIC

The Local Government Investment Cooperative (LOGIC) was created in 1994 by Texas local government officials who understand the specific needs and challenges of investing public funds. LOGIC is administered by Hilltop Securities and JPMorgan Chase. Together these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. LOGIC was rated AAA by Standard & Poor's.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

B. Receivables

The following comprise receivable balances at September 30, 2023:

	<u>Governmental Funds</u>				<u>Proprietary Fund</u>	<u>Component Unit</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Enterprise</u>	<u>Manvel Economic Dev. Corp.</u>
Accounts	\$ -	\$ -	\$ 219,565	\$ -	\$ 423,831	\$ -
Property taxes	128,879	53,084	-	-	-	-
Sales taxes	697,393	-	-	-	-	232,464
Hotel occupancy taxes	-	-	-	20,668	-	-
Franchise fees	119,944	-	-	3,814	-	-
Less allowances	(70,608)	(31,730)	-	-	(31,166)	-
Total	<u>\$ 875,608</u>	<u>\$ 21,354</u>	<u>\$ 219,565</u>	<u>\$ 24,482</u>	<u>\$ 392,665</u>	<u>\$ 232,464</u>

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,291,025	\$ -	\$ -	\$ 10,291,025
Construction in progress	2,584,971	771,293	-	3,356,264
Total nondepreciable assets	<u>12,875,996</u>	<u>771,293</u>	<u>-</u>	<u>13,647,289</u>
Other capital assets:				
Buildings, improvements, and roads	8,116,368	376,602	-	8,492,970
Machinery and equipment	5,890,147	849,781	(113,649)	6,626,279
Total other capital assets	<u>14,006,515</u>	<u>1,226,383</u>	<u>(113,649)</u>	<u>15,119,249</u>
Less accumulated depreciation for:				
Buildings, improvements, and roads	(4,234,199)	(318,941)	-	(4,553,140)
Machinery and equipment	(2,934,998)	(522,101)	86,054	(3,371,045)
Total accumulated depreciation	<u>(7,169,197)</u>	<u>(841,042)</u>	<u>86,054</u>	<u>(7,924,185)</u>
Other capital assets, net	<u>6,837,318</u>	<u>385,341</u>	<u>(27,595)</u>	<u>7,195,064</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,713,314</u>	<u>\$ 1,156,634</u>	<u>\$ (27,595)</u>	<u>20,842,353</u>
			Less associated debt	(12,230,000)
			Plus unspent bond proceeds	1,004,126
			Net Investment in Capital Assets	<u>\$ 9,616,479</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component units' capital assets and construction in progress are recorded in the governmental activities totals.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Depreciation was charged to governmental functions as follows:

General government	\$	163,366
Public safety		148,489
Public works		381,430
Internal service		147,757
Total Governmental Activities Depreciation Expense	\$	<u>841,042</u>

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,418,536	\$ -	\$ -	\$ 4,418,536
Construction in progress	684,109	1,154,847	-	1,838,956
Total nondepreciable assets	<u>5,102,645</u>	<u>1,154,847</u>	<u>-</u>	<u>6,257,492</u>
Other capital assets:				
Water/sewer system	11,842,569	345,501	-	12,188,070
Machinery and equipment	318,348	142,015	-	460,363
Total other capital assets	<u>12,160,917</u>	<u>487,516</u>	<u>-</u>	<u>12,648,433</u>
Less accumulated depreciation for:				
Water/sewer system	(3,036,278)	(331,540)	-	(3,367,818)
Machinery and equipment	(194,324)	(41,025)	-	(235,349)
Total accumulated depreciation	<u>(3,230,602)</u>	<u>(372,565)</u>	<u>-</u>	<u>(3,603,167)</u>
Other capital assets, net	<u>8,930,315</u>	<u>114,951</u>	<u>-</u>	<u>9,045,266</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,032,960</u>	<u>\$ 1,269,798</u>	<u>\$ -</u>	<u>\$ 15,302,758</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$	<u>372,565</u>
-----------------	----	----------------

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2023. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

The long-term liabilities for the governmental activities at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 17,765,000	\$ 33,530,000	\$ (1,710,000)	\$ 49,585,000 *	\$ 1,490,000
Direct borrowings/placements:					
Certificates of obligation	1,305,000	-	(105,000)	1,200,000 *	110,000
General obligation bonds	945,000	-	(235,000)	710,000 *	230,000
Premium	428,975	1,897,389	(59,754)	2,266,610 *	-
Net pension liability	781,295	437,949	-	1,219,244	-
Total OPEB liability	123,728	-	(34,671)	89,057	-
Compensated absences	317,022	3,038	-	320,060	208,565
Total Governmental Activities	<u>\$ 21,666,020</u>	<u>\$ 35,868,376</u>	<u>\$ (2,144,425)</u>	<u>\$ 55,389,971</u>	<u>\$ 2,038,565</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 53,351,406</u>	
Debt Associated with Governmental Capital Assets				\$ 12,230,000	
Debt Associated with Business-Type Capital Assets				41,531,610	
Total Debt Associated with Capital Assets				<u>\$ 53,761,610 *</u>	
Debt Associated with Business-Type Capital Assets				\$ 41,531,610	
Add: Deferred loss on refunding				4,075	
Less: Unspent bond proceeds				(39,006,758)	
Business-Type Activities Net Related Debt				<u>\$ 2,528,927</u>	

The long-term liabilities for the business-type activities at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Net pension liability	\$ 13,638	\$ 78,298	\$ -	\$ 91,936	\$ -
Compensated absences	9,296	7,496	-	16,792	10,216
Total Business-Type Activities	<u>\$ 22,934</u>	<u>\$ 85,794</u>	<u>\$ -</u>	<u>\$ 108,728</u>	<u>\$ 10,216</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 98,512</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities' compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Long-term governmental activities debt at year end was comprised of the following debt issues:

Description	Interest Rates (%)	Balance
Governmental Activities		
Certificates of Obligation Bonds		
Certificates of Obligation, Series 2023	3.00-5.00	\$ 32,745,000
Certificates of Obligation, Series 2019	2.00-4.00	3,060,000
Certificates of Obligation, Series 2018	3.00-3.50	7,970,000
Certificates of Obligation, Series 2017	3.00-4.00	2,820,000
Certificates of Obligation, Series 2016	3.00	2,990,000
From Direct Borrowings/Placements:		
Certificates of Obligation, Series 2013	2.70	1,200,000
Total Certificates of Obligation Bonds		50,785,000
General Obligation Bonds		
From Direct Borrowings/Placements:		
Refunding Bonds, Series 2015	2.00	710,000
Total General Obligation Bonds		710,000
Total Governmental Activities Long-Term Debt		\$ 51,495,000

On April 3, 2023, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") for \$33,530,000 to be used for construction of the public works building, police station facilities, City Hall expansion, and improvements to the City's water/sewer system.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Certificates of Obligation			
Fiscal Year			Total
Ending	Principal	Interest	Requirements
Sept. 30			
2024	\$ 1,490,000	\$ 1,956,712	\$ 3,446,712
2025	1,540,000	1,897,788	3,437,788
2026	1,590,000	1,837,637	3,427,637
2027	1,645,000	1,776,037	3,421,037
2028	1,700,000	1,712,137	3,412,137
2029-2033	9,430,000	7,542,658	16,972,658
2034-2038	10,735,000	5,619,161	16,354,161
2039-2043	6,630,000	3,821,755	10,451,755
2044-2048	7,580,000	2,427,480	10,007,480
2049-2053	7,245,000	761,887	8,006,887
Total	\$ 49,585,000	\$ 29,353,252	\$ 78,938,252

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The annual requirements to amortize debt issues outstanding for the direct borrowings/placements at year end are as follows:

Certificates of Obligation From Direct Borrowings/Placements			
Fiscal Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2024	\$ 110,000	\$ 28,835	\$ 138,835
2025	110,000	26,525	136,525
2026	110,000	24,105	134,105
2027	115,000	21,518	136,518
2028	120,000	18,755	138,755
2029-2033	635,000	45,753	680,753
Total	\$ 1,200,000	\$ 165,491	\$ 1,365,491

General Obligation Bonds From Direct Borrowings/Placements			
Fiscal Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2024	\$ 230,000	\$ 14,200	\$ 244,200
2025	240,000	9,600	249,600
2026	240,000	4,800	244,800
Total	\$ 710,000	\$ 28,600	\$ 738,600

General obligation bonds and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment is from taxes levied on all taxable property located within the City.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

E. Interfund Transactions

The composition of transfers between funds is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 576,010
Capital projects	General	450,000
Capital projects	Nonmajor governmental	233,907
Nonmajor governmental	Nonmajor governmental	1,051,983
		<u>\$ 2,311,900</u>

Transfers are utilized to fund capital projects or development within the City and to reimburse the general fund for services provided. Transfers must be accounted for in accordance with budgetary authorization.

F. Conduit Debt

The MCEFFC and MEFC issue loans to finance or refinance educational facilities. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. These loans are limited obligations of the issuer, payable solely from revenues received by the issuer pursuant to a loan agreement by and between the issuer and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. In addition, no commitments beyond the secured deed of trust on certain real property of the borrower were extended by MCEFFC and MEFC for any of the loans. At September 30, 2023, the loans had an aggregate outstanding principal amount payable of \$11,200,591.

G. Fund Equity

As of September 30, 2023, \$1,110,758 of the City's total fund balance is restricted by enabling legislation.

H. Restricted Assets

The balances of the restricted cash accounts recognized by the City are as follows:

	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Manvel Economic Dev. Corp.</u>
Restricted for capital projects	\$ 43,324,934	\$ -	\$ -
Restricted for customer deposits	-	182,846	-
Restricted for intergovernmental agreements	-	-	79,479
Total Restricted Cash and Cash Equivalents	<u>\$ 43,324,934</u>	<u>\$ 182,846</u>	<u>\$ 79,479</u>

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 1,174 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end. The City is also unaware of any liabilities related to active economic incentive and development agreements.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2023	2022
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/ yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Transfers	0%
Annuity increase (to retirees)	70% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to, but not yet receiving, benefits	53
Active employees	91
Total	158

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.38% and 9.80% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$662,260 which were more than the required contributions of \$639,639.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS' actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each asset class are summarized in the following tables:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equities	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real return	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	<u>100%</u>	

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	(A)	(B)	(A) - (B)
Changes for the year:			
Service cost	\$ 743,525	\$ -	\$ 743,525
Interest	422,057	-	422,057
Difference between expected and actual experience	1,547	-	1,547
Contributions - employer	-	628,606	(628,606)
Contributions - employee	-	402,216	(402,216)
Net investment income	-	(380,574)	380,574
Benefit payments, including refunds of employee contributions	(212,949)	(212,949)	-
Administrative expense	-	(3,280)	3,280
Other changes	-	3,914	(3,914)
Net Changes	954,180	437,933	516,247
Balance at December 31, 2021	5,987,412	5,192,479	794,933
Balance at December 31, 2022	\$ 6,941,592	\$ 5,630,412	\$ 1,311,180

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,400,826	\$ 1,311,180	\$ 427,729

Pension Plan Fiduciary Net Position

Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$459,513.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,251	\$ 97,207
Changes in actuarial assumptions	-	1,414
Net difference between projected and actual investment earnings	365,293	-
Contributions subsequent to the measurement date	503,618	-
Total	\$ 873,162	\$ 98,621

\$503,618 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2024	\$ 4,379
2025	51,421
2026	68,682
2027	146,441
Total	\$ 270,923

D. Other Postemployment Benefits

TMRS Supplemental Death Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	91
Total	112

Total OPEB Liability

The City's total OPEB liability of \$89,057 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statements 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 17,812
Interest	2,419
Difference between expected and actual experience	1,282
Changes of assumptions	(53,886)
Benefit payments*	(2,298)
Net Changes	(34,671)
Balance at December 31, 2021	123,728
Balance at December 31, 2022	\$ 89,057

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees.

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 109,174	\$ 89,057	\$ 73,675

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$17,325. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,596	\$ 6,156
Changes in actuarial assumptions	22,574	48,113
Contributions subsequent to the measurement date	2,056	-
Total	\$ 27,226	\$ 54,269

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

\$2,056 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2024.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30	OPEB Expense Amount
2024	\$ (2,906)
2025	(3,024)
2026	(3,502)
2027	(4,510)
2028	(7,666)
Thereafter	(7,491)
Total	\$ (29,099)

E. Economic Incentive and Development Agreements

1. Manvel Economic Development Memorandum of Understanding

The City and the Corporation furthered the Memorandum of Understanding (MOU) of July 2, 2018, by entering into an agreement by resolution on March 15, 2021. The Corporation has agreed to assist in the future funding for a certain 160-acre tract (the “Tract”) and to construct certain improvements within the Tract to develop a municipal complex, including regional ballfields (the “Project”). With the common goals of economic synergy, planning efficiency, and prudent budget development, the City and the Corporation agreed to set forth their planned joint commitment to fund the development of the Project. The City agreed to continue to take all steps to acquire the property and plan for the Project, including pursuing surveying, environmental assessment, legal, engineering, and estimation of development costs. The Corporation agreed to reserve 90% of sales tax revenue received, beginning with sales tax received during the 2019 fiscal year. The Corporation confirmed its intent to participate in providing funding for the development of the Project, subject to all procedural and budgetary requirements. During the fiscal year ending September 30, 2023, the Corporation received and restricted \$1,112,000 related to this MOU.

2. Manvel Town Center, LP and Brazoria County Municipal Utility District No. 42

The City entered into a development agreement (the “Agreement”) with Manvel Town Center, LP and Brazoria County Municipal Utility District No. 42 (the “District”) dated January 1, 2014. The Agreement empowers the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

The Agreement shall remain in effect until December 31, 2044, unless earlier terminated for reasons noted in the Agreement. On or before August 15, 2015, the City agreed to create the economic development fund (the “Fund”) and to deposit into such Fund annually during the term of the Agreement, the calculated annual payment as provided by the terms of the Agreement. The Agreement, pursuant to Chapter 380, has a term of 30 years with the base year beginning January 1, 2014.

Economic development revenues shall be the increment over the base year of 50% of the ad valorem taxes attributable to maintenance tax and 50% of the sales and use taxes collected during the term of the Agreement, but not to exceed a maximum total payout of \$42,035,541. The City will subtract and retain

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

an amount equal to 5% of the increment representing City administrative expenses. The City is required to make payments to the Fund by August 15 each year with the first payment due following the receipt of written notice from the District of the commencement of construction of the improvements by or on behalf of the District. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2023.

3. Sonmar of Scottsdale, LLC and Brazoria County Municipal Utility District No. 30

The City entered into an economic development agreement with Sonmar of Scottsdale, LLC (the “Developer”) and an interlocal agreement with Brazoria County Municipal Utility District No. 30 (the “District”) dated March 24, 2008 (the “Agreements”). The Agreements empower the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

The Developer has agreed to advance funds to the City for costs related to the Agreements, which the City will repay with interest. The Developer has also agreed to construct certain public improvements and capital investments of approximately \$400,000,000. The City agreed to create an economic development fund (the “Fund”) once the City starts receiving sales taxes generated within the boundaries noted within the Agreements. The City agreed to deposit 100% of these sales tax revenues into the Fund. The District also agreed to participate with sales tax revenues to be generated from this development. The sales tax revenues will be used to repay Developer advances, pay “performance-based grants” to the Developer as outlined in the Agreements, and finance improvements as noted in both Agreements. The maximum payout of the performance-based grants plus all payments made under the Agreements shall not exceed \$46,000,000. The Agreements shall remain in effect for an initial term of 35 years, unless earlier terminated for reasons noted in the Agreements. The City did not recognize any expenditures related to these Agreements during the fiscal year ended September 30, 2023.

4. Milestone South Six Development, Ltd. and Brazoria County Municipal Utility District No. 30

The City entered into a development agreement (the “Agreement”) with Milestone South Six Development, Ltd. (the “Developer”) and Brazoria County Municipal Utility District No. 30 (the “District”) dated February 9, 2004. Under this Agreement, the Developer agreed to reimburse the City for expenses relating to the creation of the District. The District has agreed to construct water, wastewater, and drainage facilities as outlined in the Agreement financed through the issuance of bonds. In consideration of the development of land within the District, the related increase in the taxable values, and the desire to more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes, the City has agreed to make annual tax “rebate” payments to the District.

Annual tax “rebates” are determined using the lower of either the rate per \$100 of taxable assessed valuation, or a percentage of the then-current City tax rate as follows:

<u>Years</u>	<u>Rebate</u>
1 – 10	\$0.30 or 42% of actual City tax rate
11 – 20	\$0.25 or 35% of actual City tax rate
Thereafter	\$0.20 or 20% of actual City tax rate

The Agreement includes an exception using a “Test Rate” calculation as outlined in the Agreement in which the annual payments shall be reduced based upon this calculation. If the annual payment is reduced to zero pursuant to the Agreement for three years in a row, the annual payment obligation of the City shall be terminated.

All City payments received by the District shall be deposited into the District’s debt service fund to be used solely for the payment of the District’s bonded indebtedness. Annual payments shall begin on May

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

1 in the calendar year following the calendar year in which the District delivers its first series of bonds to which its ad valorem taxes are pledged and shall be payable each May 1 thereafter. This Agreement shall remain in effect until the earlier of the dissolution of the District by the City or the expiration of 40 years from the effective date of the Agreement. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2023.

5. Brazoria County Municipal Utility District No. 43

The City entered into a Memorandum of Interlocal and Development Agreement (the “Agreement”) with the Brazoria County Municipal Utility District No. 43 (the “District”) on April 2, 2018, for the design, financing, and construction of certain public improvements on the 267.7 acres located in the District (the “Property”). The City has agreed to provide regional improvement incentives in the form of financial assistance and the construction of certain improvements to the District to induce the District to provide valuable goods and development services to the City, and to finance the construction of valuable public improvements on behalf of the City, to encourage and promote the development of the District. The District is willing to construct or cause to be constructed certain additional public improvements of behalf of the City in exchange for the City’s participation in funding such improvements.

The City and the District anticipate that the improvements will be built by the District using funds advanced to the District from the developer for eligible project costs, and the District will reimburse the developer. The City anticipates that the District will develop the Property in the near future.

It is anticipated that the District will finance, with no assistance from the City, public improvements in addition to the improvements that are subject to the Agreement at an estimated cost of \$27 million. Included in the facility costs funded by the City are the design/phasing costs, sanitary sewer collection facilities, wastewater treatment plant facilities, water distribution, water supply facilities, regional road improvements (Del Bello Boulevard, Manvel Parkway, Texas Department of Transportation Ramps at State Highway 288, and Del Bello Bridge, Dogwood Bridge over Guld Coast Water Authority canal), and any additional projects mutually agreed to. The costs of the Del Bello Boulevard and Dogwood Bridges are reimbursable expenses that will be paid to the City from the Brazoria County 43 Regional Improvements Fund (the “Fund”). The District agrees to furnish all goods, materials, and services as and when required in connection with the construction of its improvements. Upon completion, all constructed facilities shall be conveyed to the City.

The Fund is established by the City, and the City has agreed to pay the Fund the increment based on the actual collection for each year such funds are collected. The first payment to the Fund was to be March 1, 2020 for the tax year 2019 and it was to include all sales tax increments effective from that date. No sales tax generating property was constructed by March 2020. As a result, the City did not owe a payment on March 1, 2020. The payments shall be made semi-annually. The Property improvements will be built by the District using the funds advanced, and the District will reimburse the developer with interest.

The District may sell District bonds secured by a pledge of revenues from the Fund (i.e., contract revenue bonds), in addition to a pledge of the District’s taxes costs associated. The Fund may have sufficient funds available to reimburse the developer or the City directly instead of selling District bonds, and thus may take advantage of savings for reduced issuance costs and interest. The City recognized expenditures of \$297,632 related to this Agreement during the fiscal year ended September 30, 2023.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. Brazoria County Municipal Utility District No. 83

The City entered into a Development Agreement (the “Agreement”) with the Brazoria County Municipal Utility District No. 83 (the “District”) on August 16, 2021, for the design, financing, and construction of certain public improvements on the approximately 440 acres located in the District (the “Property”). The City has agreed to provide regional improvement incentives in the form of financial assistance to the District to induce the District to provide valuable development services to the City and to encourage and promote the development of the District. The District is willing to construct or cause to be constructed certain additional public improvements of behalf of the City in exchange for the City’s participation in funding such improvements.

The improvements for the agreement will include Del Bello Boulevard, Dogwood Avenue and the crossing at Chocolate Bayou, Pollard Boulevard, and Charlotte Street (including crossings at Chocolate Bayou, DD4 Ditch and the GCWA Canal). The District agrees to furnish all goods, materials, and services as and when required in connection with the construction of its improvements.

The Fund is established by the City, and the City has agreed to pay the Fund the increment based on the actual collection for each year such funds are collected. The first payment to the Fund will be June 1, 2024 for the increment of January 1, 2022 (base year value) to January 1, 2023. The payments shall be made annually. The increment shall be calculated by using 90% of the City’s O&M taxes on properties in the District less \$205 for each equivalent single family connection in the District for the applicable tax year. The increment shall be paid for a maximum of 30 years or for a sum total of \$18 million, whichever may occur first. The City recognized no expenditures related to this Agreement during the fiscal year ended September 30, 2023.

F. TIRZ No. 3 Financing Agreements

The City has entered into a shared financing agreement between the City, TIRZ No. 3, SMDA, Brazoria County MUD No. 56, and Brazoria County MUD No. 57 dated December 29, 2010 to provide for the joint financing, design, construction, and operation of the TIRZ No. 3 plan projects.

The City has entered into a development financing agreement. The developer agrees to convey to the SMDA a parcel of land to be used as an interim park site until a permanent site can be determined. The SMDA or the City may erect recreational improvements on the site at their expense. On February 12, 2012, the SMDA approved a special warranty deed conveying a parcel of land for such purposes.

G. Pipeline Deposit Agreements

The City has entered into agreements with pipeline companies, such as Phillips 66 Pipeline LLC; EPO Pipeline, LLC; Enterprise Crude Pipeline, LLC; and Lavaca Pipeline, LLC for the purpose of constructing, maintaining, laying, operating, and/or repairing pipelines utilized for the transportation of liquids or gaseous materials along the right-of-ways and/or under certain roads located in the City. As of September 30, 2023, the balance for the pipeline deposit is \$165,241.

H. Subsequent Events

On December 6, 2023, SMDA issued Tax Increment Contract Revenue Bonds, Series 2023 for \$17,710,000. The proceeds from the bonds will be used for the purposes of reimbursing developers for approved project costs. The bonds are limited obligations of SMDA, payable solely from the pledged revenues and are not obligations of the City.

THIS PAGE LEFT BLANK INTENTIONALLY

APPENDIX C

PROPOSED FORM OF LEGAL OPINION OF BOND COUNSEL

THIS PAGE LEFT BLANK INTENTIONALLY

ABHR

December 11, 2024

We have acted as Bond Counsel to the South Manvel Development Authority (the "Issuer") in connection with the issuance and sale of the Issuer's Tax Increment Contract Revenue Bonds, Series 2024, in the aggregate principal amount of \$_____ (the "Bonds") pursuant to the terms of a Trust Indenture dated as of December 6, 2023 (the "Indenture"), between the Issuer and Wilmington Trust, N.A. (the "Trustee"), and a Bond Resolution, dated as of November 13, 2024 (the "Resolution"). Except as otherwise indicated, capitalized terms not otherwise defined in this opinion have the meanings assigned to such terms in the Indenture.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript containing certified copies of certain proceedings of the Board of Directors of the Issuer, and certain certificates and other documents of representatives of the City of Manvel, Texas (the "City"), Reinvestment Zone Number Three, City of Manvel, Texas (the "Zone"), the Issuer, the Trustee, and of others. We have relied upon those certificates as to certain factual matters which we have not independently verified. We have also examined such portions of the Constitution and statutes of the State of Texas, as we have deemed necessary for the purposes of this opinion.

Based on the foregoing, and subject to the matters set forth below, we are of the opinion that:

1. The Issuer is duly created and validly existing as a Texas nonprofit local government corporation acting on behalf of the City created pursuant to Chapter 431, Texas Transportation Code, and has the corporate power to adopt the Resolution, enter into and perform the obligations under the Indenture, and issue the Bonds. The transcript of proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and the laws of the State of Texas presently effective.

2. The Indenture and Resolution have been duly authorized by the Issuer, have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer. By the terms of the Indenture, all of the Issuer's right, title and interest in and to the Pledged Revenues, which include the Contract Tax Increments and

1227425

HOUSTON
3200 Southwest Freeway, Suite 2600
Houston, TX 77027
(713) 860-6400

CENTRAL TEXAS
919 Congress Avenue, Suite 1500
Austin, TX 78701
(512) 518-2424

NORTH TEXAS
3100 McKinnon Street, Suite 1100
Dallas, TX 75201
(972) 823-0800

abhr.com

the amounts required from time to time to be deposited in or credited to the account of the Debt Service Fund and the Pledged Revenue Fund created pursuant to the Indenture, together with any investments and reinvestments thereof, have been assigned to the Trustee.

3. The Bonds have been duly authorized, executed, issued and delivered by the Issuer and are the legal and valid obligations of the Issuer. The Bonds are entitled to the benefits and security of the Indenture. The Bonds are payable by the Issuer out of the Pledged Revenues created by the Indenture and the revenues derived therefrom.

4. The Bonds are a limited obligation solely of the Issuer and are not a general obligation of the Issuer, the State of Texas, Brazoria County, the City, or any other entity. The Issuer has no authority to levy taxes.

We have examined executed Bond numbered IB-1. In our opinion, the form of said Bond and its execution is regular and proper.

IT IS OUR FURTHER OPINION THAT, under existing law:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code (as defined below).
- (2) 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 (as defined in section 59(k) of the Code (as defined below)) for the purpose of computing the alternative minimum tax imposed on corporations.

In providing such opinions, we have relied on representations of the Issuer, the City, the Zone, the Issuer's financial advisor, and the Underwriter with respect to matters solely within the knowledge of the Issuer, the City, the Zone, the Issuer's financial advisor, and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Indenture and Resolution pertaining to those sections of the Internal Revenue Code of 1986, as amended (the "Code") that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income as of the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of, interest on, or acquisition, ownership or disposition of, the Bonds.

The opinions set forth above are based on existing law, which is subject to change. Such opinions further are based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 includable 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 Issuer as the taxpayer. We observe that the Issuer has covenanted in the Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Municipal Advisory Services
Provided By

