



# Trinity Falls

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# Taxpayer Protections

Texas special districts are the most highly regulated political subdivisions in the State, with multiple levels of oversight including:

- Texas Commission on Environmental Quality (“TCEQ”)
  - Primary agency responsible for all aspects of special districts operations
- The City
  - Cities must consent to creation of special districts within their city limits or extraterritorial jurisdiction (“ETJ”)
  - Level of oversight is dependent on agreements between the City and the district
- Attorney General of Texas
  - Approves all bonds issued by governmental entities within the State
  - Reviews all bond issues to confirm the legality of the issue
  - Establishes rules designed to limit the amount of road bonds that may be issued by a special district

The TCEQ is the State agency that is primarily responsible for overseeing the operations of special districts, including the issuance of debt

- TCEQ has established rules under the Texas Water Code outlining the requirements that must be met for a special district to issue bonds for water, sewer and drainage projects
- The TCEQ's rules establish that the District is strictly a reimbursement vehicle with specific limitations
  - **The Developer is responsible for paying all construction costs for facilities to serve the District**
  - The Developer only receives reimbursement when enough value has been created to support the issuance of debt
  - The District must receive TCEQ approval of a bond application prior to the issuance of bonds for water, sewer and drainage projects

# The City of McKinney

Through an existing Consent Agreement and Development Agreement, the City exercises authority over the standards of the public infrastructure and general development standards.

- The District is financing the construction of the **City's utility system**
  - The City owns and operates all facilities within the District, therefore the City makes all decisions regarding which facilities are constructed
  - The residents of the District pay water and sewer rates to the City
  - The residents of the District pay the City for fire protection
  - The residents of the District pay for police protection
- The District and developer follow the same public bidding requirements as the City for infrastructure projects
- Furthermore, the TCEQ rules require that the District must sell bonds issued for reimbursement through a competitive bidding process

# Tax Rate of the District



McKinney MUD No. 1 (the “District”) levies a total tax rate of \$1.05 per \$100 of assessed valuation.

- The components of the tax rate are as follows:
  - Maintenance and Operation– Pays for the day-to-day operations of the District and includes \$0.02 for the City’s park fee.
  - Water, Sewer & Drainage Debt Service– Pays the principal and interest on the bonds issued for water, sewer and drainage projects
  - Road Debt Service– Pays the principal and interest on the bonds issued for roadway projects

	2017 Tax Year (Current)
M&O Tax Rate	\$0.25
WS&D DS Tax Rate	\$0.60
Roads DS Tax Rate	\$0.20

# Background

In July, 2016, the City approved amendments to the Consent Agreement, which created a single bond cap for the Trinity Falls development and raised the cap to \$262,800,000 with an 3% annual inflation rate.

Johnson Development is currently pursuing the acquisition of the Frazier Tract, approximately 271 acres to add to Trinity Falls. The districts request that the base bond cap be raised to \$318,000,000 to accommodate the additional infrastructure costs associated with the development of the Frazier Tract.

# Eligible Projects

The District may only sell bonds to reimburse the developer for certain projects, as specified in the TCEQ Rules (for water, sewer and drainage projects) and the Texas Constitution (for road projects)

## Eligible Projects

- Water, sewer & drainage facilities
- Creation costs
- Impact fees
- Connection charges
- Elevated storage
- Off-site water & sewer lines
- Road costs\*
- Traffic signals and signage
- Engineering

## Non-Eligible Projects

- Parks and recreational facilities
- Land cost of lots
- Dry utilities
- Swimming pools
- Golf courses
- Enclosed air-conditioned spaces
- Taxes paid by developer

\*Road costs include additional design requirements of the City, such as screening and other design features

# Expenditures



Below is a breakdown of the previously reimbursed, outstanding and projected eligible expenditures to develop Trinity Falls. The amounts listed below **do not include inflation.**

Eligible Expenditures Spent & Reimbursed:

WS&D Projects	\$	16,556,643
Road Projects	\$	5,802,121
	\$	<u>22,358,764</u>

Eligible Expenditures Spent but Unreimbursed:

WS&D Projects	\$	40,292,260
Road Projects	\$	21,025,332
	\$	<u>61,317,592</u>

Projected Future Eligible Expenditures:

WS&D Projects	\$	83,678,582
Road Projects	\$	88,927,274
	\$	<u>172,605,856</u>

Total Eligible Expenditures	\$	256,282,212
Bond Issue Soft Costs	\$	85,427,404
<b>Necessary Bond Issue Requirement</b>	<b>\$</b>	<b>341,709,616</b>

**Requested Cap:  
\$318,000,000**

In today's dollars, the proposed bond cap of \$318,000,000 is over \$23.5 million less than the projected bonding requirements of Trinity Falls.