

**JACKSON RIDGE
PUBLIC IMPROVEMENT DISTRICT
CITY OF AUBREY, TEXAS**

**ANNUAL SERVICE PLAN UPDATE
2019-20**

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PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

**JACKSON RIDGE
PUBLIC IMPROVEMENT DISTRICT**

ANNUAL SERVICE PLAN UPDATE – 2019-20

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A. INTRODUCTION

The Jackson Ridge Public Improvement District (the “PID”) was created pursuant to the PID Act and a resolution of the City Council on June 25, 2015 to finance certain public improvement projects for the benefit of the property in the PID. The City of Aubrey, Texas Special Assessment Revenue Bonds, Series 2015 (Jackson Ridge Public Improvement District Phase #1 Project) (the “Phase #1 Bonds”) in the aggregate principal amount of \$13,460,000, The City of Aubrey, Texas Special Assessment Revenue Bonds, Series 2015 (Jackson Ridge Public Improvement District Phases #2-3 Major Improvement Project) (the “Phases #2-3 Bonds”) in the aggregate principal amount of \$10,255,000, were issued to finance, refinance, provide or otherwise assist in the acquisition, construction and maintenance of the public improvements provided for the benefit of the property in the PID. In addition, reimbursement obligations for the Phase #1 Reimbursement Agreement in the aggregate principal amount of \$540,000 are secured by Assessments.

Additionally, the City of Aubrey, Texas Special Assessment Revenue Bonds, Series 2018 (Jackson Ridge Public Improvement District Phase #2 Project) (the “Phase #2 Bonds”) in the aggregate principal amount of \$9,425,000, were issued to finance, refinance, provide or otherwise assist in the acquisition, construction and maintenance of the public improvements provided for the benefit of the property within Phase #2 of the PID.

A service and assessment plan (the “Service and Assessment Plan”) was prepared at the direction of the City identifying the public improvements (the “Authorized Improvements”) to be provided by the PID, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the PID for the costs of the Authorized Improvements. The Service and Assessment Plan was amended and restated for Phase #2 on October 23, 2018 (the “Amended and Restated Service and Assessment Plan”) to incorporate the obligations of the Phase #2 Bonds in the aggregate principal amount of \$9,425,000 to finance the Phase #2 Improvements. Pursuant to the PID Act, the Service and Assessment Plan must be reviewed and updated annually for the purpose of determining the annual budget for the Authorized Improvements. This document is the annual update of the Amended and Restated Service and Assessment Plan for 2019-20 (the “Annual Service Plan Update”).

The City also adopted assessment rolls (the “Assessment Rolls”) identifying the assessments on each Parcel within the PID, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Roll for 2019-20.

Capitalized terms not defined in this Annual Service Plan Update shall have the meanings assigned to them in the Service and Assessment Plan.

B. UPDATE OF THE SERVICE PLAN

I. ANNUAL BUDGET FOR THE PUBLIC IMPROVEMENTS

According to the Service and Assessment Plan as amended on March 21, 2017 (the “Amended Service and Assessment Plan”), the original proposed water and sewer improvements will now be provided by Mustang Special Utility District (“MSUD”); therefore, the revised estimated cost of the Phase #1 Improvements (including \$4,466,125 in proportional share of the Major Improvement costs) is equal to \$11,830,019, and the revised estimated Major Improvement Costs are equal to \$9,066,466 (excluding Phase #1’s proportional share of the Major Improvement Costs). The original sources and uses of funds are shown in Table B-1 on the following page, and the revised sources and uses of funds are shown in Table B-2 on page three of this report.

In addition, according to the Developer’s quarterly improvement implementation report dated June 30, 2019, the City has accepted all Phase #1 Improvements and Major Improvements.

As shown by Table B-1 on the following page, the PID has incurred indebtedness in the total amount of \$24,255,000 in the form of the Phase #1 Bonds, the Phases #2-3 Bonds, and the Phase #1 Reimbursement Agreement, which are to be repaid from Assessments.

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Table B-1
Original Sources and Uses of Funds
Phase #1 and Phases #2-3 Authorized Improvements

Sources of Funds	Phase #1 Bonds	Phases #2-3 Bonds	Total
Bond par amounts	\$13,460,000	\$10,255,000	\$23,715,000
Phase #1 Reimbursement Agreement	\$540,000		\$540,000
Developer Contributions	\$1,599,875	\$2,037,269	\$3,637,144
Total Sources	\$15,599,875	\$12,292,269	\$27,892,144
Uses of Funds			
Major Improvements			
Road improvements	\$980,823	\$1,982,947	\$2,963,770
Water distribution system improvements	\$1,300,579	\$2,629,402	\$3,929,981
Sanitary sewer improvements	\$1,463,869	\$2,959,528	\$4,423,397
Storm drainage improvements	\$0	\$0	\$0
Other soft and miscellaneous costs	\$516,193	\$1,043,596	\$1,559,789
<i>Subtotal</i>	<i>\$4,261,464</i>	<i>\$8,615,472</i>	<i>\$12,876,937</i>
Phase 1 Improvements			
Road improvements	\$3,859,604	\$0	\$3,859,604
Water distribution system improvements	\$980,992	\$0	\$980,992
Sanitary sewer improvements	\$948,137	\$0	\$948,137
Storm drainage improvements	\$688,500	\$0	\$688,500
Other soft and miscellaneous costs	\$886,662	\$0	\$886,662
<i>Subtotal</i>	<i>\$7,363,894</i>	<i>\$0</i>	<i>\$7,363,894</i>
Estimated Bond issuance costs			
Capitalized interest	\$1,688,763	\$1,464,115	\$3,152,878
Reserve fund	\$1,022,321	\$936,766	\$1,959,087
Administrative Expenses fund	\$52,092	\$37,908	\$90,000
Other costs of issuance	\$1,211,342	\$1,238,008	\$2,449,350
<i>Subtotal</i>	<i>\$3,974,518</i>	<i>\$3,676,797</i>	<i>\$7,651,314</i>
Total Uses	\$15,599,875	\$12,292,269	\$27,892,144

Notes: Phase #1 Improvements include the Authorized Improvements listed under this heading plus the estimated \$4.261 mil pro rata share of the Major Improvements allocated to Phase #1.

As shown in Table B-2 on the following page, the estimated sources and uses of funds has been revised to reflect the MSUD restructuring-related cost savings.

Table B-2
Revised Sources and Uses of Funds
Phase #1 and Phases #2-3 Authorized Improvements

Sources of Funds	Phase #1 Bonds	Phases #2-3 Bonds	Total
Bond par amounts	\$14,000,000	\$10,255,000	\$24,255,000
Developer Contributions	\$1,804,537	\$2,488,263	\$4,292,800
Total Sources	\$15,804,537	\$12,743,263	\$28,547,800
Uses of Funds			
Major Improvements			
Road improvements	\$1,906,791	\$3,870,886	\$5,777,677
Water distribution system improvements	\$317,157	\$643,844	\$961,001
Sanitary sewer improvements	\$1,402,398	\$2,846,941	\$4,249,338
Storm drainage improvements	\$0	\$0	\$0
Other soft and miscellaneous costs	\$839,779	\$1,704,796	\$2,544,575
<i>Subtotal</i>	<i>\$4,466,125</i>	<i>\$9,066,466</i>	<i>\$13,532,592</i>
Phase 1 Improvements			
Road improvements	\$3,859,604	\$0	\$3,859,604
Water distribution system improvements	\$980,992	\$0	\$980,992
Sanitary sewer improvements	\$948,137	\$0	\$948,137
Storm drainage improvements	\$688,500	\$0	\$688,500
Other soft and miscellaneous costs	\$886,662	\$0	\$886,662
<i>Subtotal</i>	<i>\$7,363,894</i>	<i>\$0</i>	<i>\$7,363,894</i>
Estimated Bond issuance costs			
Capitalized interest	\$1,688,763	\$1,464,115	\$3,152,878
Reserve fund	\$1,022,321	\$936,766	\$1,959,087
Administrative Expenses fund	\$52,092	\$37,908	\$90,000
Other costs of issuance	\$1,211,342	\$1,238,008	\$2,449,350
<i>Subtotal</i>	<i>\$3,974,518</i>	<i>\$3,676,797</i>	<i>\$7,651,314</i>
Total Uses	\$15,804,537	\$12,743,263	\$28,547,782

According to the Amended and Restated Service and Assessment Plan, the current estimated sources and uses of funds for Phase #2 Improvements are shown in Table B-3 on the following page.

Table B-3
Estimated Sources and Uses of Funds
Phase #2 Authorized Improvements

Sources of Funds	Phase #2 Bonds
Bond Par Amount	\$9,425,000
Other funding sources	\$4,075,997
Total Sources	\$13,500,997
Uses of Funds	
Phase#2 Improvements	
Road improvements	\$4,715,942
Water distribution system improvements	\$1,153,642
Sanitary sewer improvements	\$1,290,389
Storm drainage improvements	\$2,447,728
Other soft and miscellaneous costs	\$1,768,296
<i>Subtotal</i>	<i>\$11,375,997</i>
Bond issuance costs	\$0
Capitalized interest	\$452,919
Debt service reserve	\$855,856
Administrative expenses	\$35,000
Other costs of issuance including Underwriter's discount	\$781,224
<i>Subtotal</i>	<i>\$2,125,000</i>
Total Uses	\$13,500,997

A service plan must cover a period of five years. All of the Authorized Improvements are expected to be built within a period of five years. The anticipated budget for the Authorized Improvements over a period of five years and the indebtedness expected to be incurred for these costs is shown by Table B-4 on the following page.

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Table B-4
Authorized Improvements
Annual Projected Cost, Annual Projected Indebtedness,
and Annual Projected Annual Installments
2015 – 2024

Assessment Year ending 09/01	Annual Projected Cost	Annual Projected Indebtedness	Sources other than PID Bonds	Projected Annual Installment - Phase #1 ¹	Projected Annual Installment - Phases #2-3 ¹	Projected Annual Installment - Phase #2 ¹
2015-2019	\$41,393,141	\$33,680,000	\$7,713,141	\$4,434,769	\$3,609,906	\$0
2020	\$0	\$0	\$0	\$1,138,426	\$1,008,836	\$791,219
2021	\$0	\$0	\$0	\$1,188,157	\$1,003,519	\$793,683
2022	\$0	\$0	\$0	\$1,183,486	\$1,007,336	\$790,611
2023	\$0	\$0	\$0	\$1,188,049	\$1,004,411	\$792,279
2024	\$0	\$0	\$0	\$1,181,071	\$1,005,183	\$793,412
Total	\$41,393,141	\$33,680,000	\$7,713,141	\$10,313,957	\$8,639,192	\$3,961,203

¹ – Projected Annual Installments do not include available capitalized interest, investment income, and TIRZ Credit.

II. DEBT SERVICE AND COLLECTION COSTS

Phase #1 - Annual Installments

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty (30) annual installments of principal and interest beginning with the tax year following the issuance of the Phase #1 Bonds and/or execution of the Phase #1 Reimbursement Agreement, of which twenty-six Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Phase #1 Bonds commencing with the issuance of the Phase #1 Bonds. The effective interest rate on the Phase #1 Bonds is 7.25 percent for 2019-20 and the interest rate applicable to the Phase #1 Reimbursement Agreement is 6.63 percent per annum. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the Phase #1 Bonds (7.25%) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City, or any other party designated by the City, in 2019 and will be delinquent on February 1, 2020.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2019-20, and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under applicable

documents including the Service and Assessment Plan, such as the Tax Increment Reinvestment Zone No. 1. (the “TIRZ”) incremental taxes available to the PID (the “TIRZ Credit”), capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Phase #1 Bonds and Phase #1 Reimbursement Agreement from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the Prepayment Reserve and Delinquency Reserve amounts as described in the Service and Assessment Plan and applicable Indenture of Trust.

Phase #1 Annual Installments to be Collected for 2019-20

The budget for Phase #1 of the PID will be paid from the collection of Annual Installments collected for 2019-20 as shown by Table B-5 below.

Table B-5
Budget for the Phase #1 Annual Installments
To be collected for 2019-20

Descriptions	Phase #1 Bonds	Phase #1 Reimbursement Agreement	Gross Annual Installments	MSUD Credit	Net Annual Installments
Interest payment on March 1, 2020	\$489,360	\$17,790	\$507,149	(\$32,798)	\$474,351
Interest payment on September 1, 2020	\$489,360	\$17,790	\$507,149	(\$32,798)	\$474,351
Principal payment on September 1, 2020	\$180,000	\$0	\$180,000	(\$11,926)	\$168,074
<i>Subtotal debt service on Assessments</i>	<i>\$1,158,719</i>	<i>\$35,579</i>	<i>\$1,194,298</i>	<i>(\$77,521)</i>	<i>\$1,116,777</i>
Administrative Expenses	\$27,908	\$1,186	\$29,094	\$0	\$29,094
<i>Subtotal Expenses</i>	<i>\$1,186,627</i>	<i>\$36,765</i>	<i>\$1,223,392</i>	<i>(\$77,521)</i>	<i>\$1,145,871</i>
Available TIRZ Credit	(\$68,244)	\$0	(\$68,244)	\$0	(\$68,244)
Available Reserve Fund Income	(\$47,727)	\$0	(\$47,727)	\$0	(\$47,727)
Available Capitalized Interest Account	\$0	\$0	\$0	\$0	\$0
Available Administrative Expense account	\$0	\$0	\$0	\$0	\$0
<i>Subtotal funds available</i>	<i>(\$115,971)</i>	<i>\$0</i>	<i>(\$115,971)</i>	<i>\$0</i>	<i>(\$115,971)</i>
Annual Installments	\$1,070,656	\$36,765	\$1,107,421	(\$77,521)	\$1,029,900

As shown in Table B-5 above, the total Annual Installment for 2019-20 is equal to \$1,029,900 (\$1,145,871 - \$68,244 - \$47,727 = \$1,029,900). The total debt service payments on the Phase #1 Bonds and the Phase #1 Reimbursement Agreement, and the Administrative Expenses for 2019-20 are shown as \$1,000,806 (\$1,116,777 - \$68,244 - \$47,727 = \$1,000,806) and \$29,094, respectively.

According to the original Service and Assessment Plan, 459 residential units representing 398.31 total Equivalent Units were estimated to be built within Phase #1 of the PID. According to the Developer, Parcel 676922 was originally proposed to have 175 Lot Type 2 units built; however, according to the Developer and the recorded Phase #1A final plat, there will be 178 Lot Type 2 units platted from Parcel 676922, which resulted in an increase of 2.49 Equivalent Units (3 units x 0.83 Equivalent Units per unit = 2.49 Equivalent Units). Additionally, the Assessments were prepaid in full for Parcel 713889 (Lot Type 2), Parcel 707734 (Lot Type 2), and Parcel 707676 (Lot Type 2) with a total Equivalent Unit of 2.49, resulting in 398.31 (398.31 + (3 units x 0.83) – (3 units x 0.83) = 398.31) in remaining total outstanding Equivalent Units. Accordingly, the principal and interest portion of Annual Installment to be collected from each outstanding Equivalent Unit will be \$2,683.97 [i.e. ($\$1,116,777 \div 398.31 = \$2,683.97$)] and the Administrative Expenses to be collected from each Equivalent Unit will be \$73.04 (i.e. $\$29,094 \div 398.31 = \73.04). As a result, the total Annual Installment to be collected from each Equivalent Unit within Phase #1 will be \$2,757.01 (i.e. $\$2,683.97 + \$73.04 = \$2,757.01$). The Annual Installment to be collected from each Parcel within Phase #1 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$2,757.01 by the total estimated Equivalent Units for each Parcel in Phase #1.

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Phase #1 Bonds and Phase #1 Reimbursement Agreement, to fund the Prepayment Reserve and Delinquency Reserve described in Section V, and to cover Administrative Expenses of Phase #1. The Annual Installment for each Parcel shall be calculated by taking into consideration any TIRZ Credit applicable to the Parcel.

The TIRZ was created in 2015 and, hence, the 2015 assessed values of the Parcels in the TIRZ were used as base year amounts. The 2015 base year assessed values of the Phase #1 Parcels are equal to \$0. As a result, the Phase #1 Parcels within the TIRZ generated \$152,734 ($\$152,734 - \$0 = \$152,734$) in incremental City taxes that were collected above the 2015 base year values. Therefore, the City has \$68,244 ($\$152,734 \times 45.20\% \text{ City contribution rate} = \$68,244$) available in contributable revenues collected for 2018 that can be used as TIRZ Credit in 2019-20.

The list of Parcels within Phase #1 of the PID, the estimated number of units to be developed, the corresponding total Equivalent Units, the total outstanding Assessment, the annual principal and interest amounts due, the Administrative Expenses, the applicable TIRZ Credit, and the Annual Installment to be collected for 2019-20 are shown in the Assessment Roll Summary attached hereto as Appendix B.

Phases #2-3 - Annual Installments

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty annual installments of principal and interest beginning with the tax year following the issuance of the Phases #2-3 Bonds, of which twenty-one Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Phases #2-3 Bonds commencing with the issuance of the Phases #2-3 Bonds. The effective interest rate on the Phases #2-3 Bonds is 8.25 percent for 2019-20. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the Phases #2-3 Bonds (8.25%) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City, or any other party designated by the City, in 2019 and will be delinquent on February 1, 2020.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2019-20 and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under the Service and Assessment Plan, such as TIRZ Credit, capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Phases #2-3 Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the Prepayment Reserve and Delinquency Reserve amounts as described in the Service and Assessment Plan and applicable Indenture of Trust.

Phases #2-3 Annual Installments to be Collected for 2019-20

The budget for Phases #2-3 of the PID will be paid from the collection of Annual Installments collected for 2019-20 as shown by Table B-6 on the following page.

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Table B-6
Budget for the Phases #2-3 Annual Installments
to be Collected for 2019-20

Descriptions	Phases #2-3 Bonds	MSUD Credit	Net Annual Installments
Interest payment on March 1, 2020	\$403,594	(\$82,833)	\$320,761
Interest payment on September 1, 2020	\$403,594	(\$82,833)	\$320,761
Principal payment on September 1, 2020	\$180,000	(\$36,645)	\$143,355
<i>Subtotal debt service on bonds</i>	<i>\$987,188</i>	<i>(\$202,311)</i>	<i>\$784,876</i>
Administrative Expenses	\$25,949	\$0	\$25,949
<i>Subtotal Expenses</i>	<i>\$1,013,137</i>	<i>(\$202,311)</i>	<i>\$810,825</i>
Available TIRZ Credit	(\$17,505)	\$0	(\$17,505)
Available Reserve Fund Income	(\$23,321)	\$0	(\$23,321)
Available Capitalized Interest Account	\$0	\$0	\$0
Available Administrative Expense account	\$0	\$0	\$0
<i>Subtotal funds available</i>	<i>(\$40,825)</i>	<i>\$0</i>	<i>(\$40,825)</i>
Annual Installments	\$972,311	(\$202,311)	\$770,000

As shown in Table B-6 above, the total Annual Installment for 2019-20 is equal to \$770,000 (\$810,825 - \$17,505 - \$23,321 = \$770,000). The total debt service payments on the Phases #2-3 Bonds and the Administrative Expenses for 2019-20 are shown as \$744,051 (\$784,876 - \$17,505 - \$23,321 = \$744,051) and \$25,949, respectively.

As mentioned above, the TIRZ was created in 2015 and, hence, the 2015 assessed values of the Parcels in the TIRZ were used as base year amounts. The 2015 base year assessed values of the Phases #2-3 Parcels are equal to \$0. As a result, the Phase #2-3 Parcels within the TIRZ generated \$38,727 (\$38,727 - \$0 = \$38,727) in incremental City taxes that were collected above the 2015 base year values. Therefore, the City has \$17,505 (\$38,727 x 45.20% City contribution rate = \$17,505) available in contributable revenues collected for 2018 that can be used as TIRZ Credit in 2019-20.

According to the Amended and Restated Service and Assessment Plan, 943 units representing 811.08 total Equivalent Units are estimated to be built within Phases #2-3 of the PID. Accordingly, the principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$938.94 [i.e. (\$784,876 - \$23,321) ÷ 811.08 = \$938.94] and the Administrative Expenses to be collected from each Equivalent Unit will be \$31.99 (i.e. \$25,949 ÷ 811.08 = \$31.99). As a result, the total Annual Installment to be collected from each Equivalent Unit within Phases #2-3 will be \$970.93 (i.e. \$938.94 + \$31.99 = \$970.93). The Annual Installment to be collected from each Parcel within Phases #2-3 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$970.93 by the total estimated Equivalent Units for each Parcel in Phases #2-3.

The list of Parcels within Phases #2-3 of the PID, the estimated number of units to be developed, the corresponding total Equivalent Units, the total outstanding Assessment, the annual Principal and Interest amount due, the Administrative Expenses, the applicable TIRZ Credit, and the Annual Installment to be collected for 2019-20 are shown in the Assessment Roll Summary attached hereto as Appendix C.

Phase #2 - Annual Installments

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty annual installments of principal and interest beginning with the tax year following the issuance of the Phase #2 Bonds, of which twenty-six Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Phase #2 Bonds commencing with the issuance of the Phase #2 Bonds. The effective interest rate on the Phase #2 Bonds is 5.92 percent for 2019-20. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the Phases #2-3 Bonds (5.92%) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City, or any other party designated by the City, in 2019 and will be delinquent on February 1, 2020.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2019-20 and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under the Service and Assessment Plan, such as capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Phase #2 Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the Prepayment Reserve and Delinquency Reserve amounts as described in the Service and Assessment Plan and applicable Indenture of Trust.

Phase #2 Annual Installments to be Collected for 2019-20

The budget for Phase #2 of the PID will be paid from the collection of Annual Installments collected for 2019-20 as shown by Table B-7 on the following page.

Table B-7
Budget for the Phase #2 Annual Installments
to be Collected for 2019-20

Descriptions	Phase #2 Bonds
Interest payment on March 1, 2020	\$302,759
Interest payment on September 1, 2020	\$302,759
Principal payment on September 1, 2020	\$150,000
<i>Subtotal debt service on bonds</i>	<i>\$755,519</i>
Administrative Expenses	\$30,481
<i>Subtotal Expenses</i>	<i>\$786,000</i>
Available Reserve Fund Income	\$0
Available Capitalized Interest Account	\$0
Available Administrative Expense account	\$0
<i>Subtotal funds available</i>	<i>\$0</i>
Annual Installments	\$786,000

As shown in Table B-7 above, the total Annual Installment for 2019-20 is equal to \$786,000. The total debt service payments on the Phase #2 Bonds and the Administrative Expenses for 2019-20 are shown as \$755,519 and \$30,481, respectively.

According to the Amended and Restated Service and Assessment Plan, 489 units representing 422.87 total Equivalent Units are estimated to be built within Phase #2 of the PID. Accordingly, the principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$1,786.65 (i.e. $\$755,519 \div 422.87 = \$1,786.65$) and the Administrative Expenses to be collected from each Equivalent Unit will be \$72.08 (i.e. $\$30,481 \div 422.87 = \72.08). As a result, the total Annual Installment to be collected from each Equivalent Unit within Phases #2-3 will be \$1,858.73 (i.e. $\$1,786.65 + \$72.08 = \$1,858.73$). The Annual Installment to be collected from each Parcel within Phases #2-3 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$1,858.73 by the total estimated Equivalent Units for each Parcel in Phase #2.

The list of Parcels within Phase #2 of the PID, the estimated number of units to be developed, the corresponding total Equivalent Units, the total outstanding Assessment, the annual Principal and Interest amount due, the Administrative Expenses, the applicable TIRZ Credit, and the Annual Installment to be collected for 2019-20 are shown in the Assessment Roll Summary attached hereto as Appendix C.

III. BOND REFUNDING RELATED UPDATES

Phase #1 Bonds

The Phase #1 Bonds were issued in November 2015. Pursuant to Section 4.3 of the Indenture of Trust, the City reserves the right and option to redeem the Phase #1 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after March 1, 2023, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the Indenture of Trust.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Phase #1 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the City accordingly.

Phases #2-3 Bonds

The Phases #2-3 Bonds were issued in November 2015. Pursuant to Section 4.3 of the Indenture of Trust, the City reserves the right and option to redeem the Phases #2-3 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after March 1, 2023, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Phases #2-3 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the City accordingly.

Phase #2 Bonds

The Phase #2 Bonds were issued in October 2018. Pursuant to Section 4.3 of the Indenture of Trust, the City reserves the right and option to redeem the Phases #2-3 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after September 1, 2023, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Phase #2 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the City accordingly.

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C. UPDATE OF THE ASSESSMENT PLAN

The Service and Assessment Plan adopted by the City Council provided that the costs of the Authorized Improvements shall be allocated to the Assessed Property equally on the basis of the Equivalent Units of residential dwelling units anticipated to be built on each Parcel once such property is fully developed, and that such method of allocation will result in the imposition of equal shares of the Authorized Improvement Costs to Parcels similarly benefited.

According to the Amended Service and Assessment Plan, the TIRZ Credit shall be calculated for those Parcels that are subject to Assessments in the PID and have generated TIRZ Revenues. Such TIRZ Credit shall be applied on a Parcel-by-Parcel basis.

This method of assessing property has not been changed, except for the additional clarifying provisions above, and Assessed Property will continue to be assessed as provided for in the Service and Assessment Plan.

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D. UPDATE OF THE ASSESSMENT ROLL

Pursuant to the original Service and Assessment Plan, the Assessment Roll shall be updated each year to reflect:

- (i) the identification of each Parcel
- (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by the Service and Assessment Plan or in the PID Act;
- (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and
- (iv) payments of the Assessment, if any, as provided by Section VI.H of the Service and Assessment Plan.

The Assessment Roll Summaries are shown in Appendix B and C. Each Parcel in the PID is identified, along with the Assessment on each Parcel and the Annual Installment to be collected from each Parcel. Assessments are to be reallocated for the subdivision of any Parcels.

I. PARCEL UPDATES

According to the Service and Assessment Plan, upon the subdivision of any Parcel, the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel.
- B = the Assessment for the Parcel prior to subdivision.
- C = the estimated Equivalent Units to be built on each newly subdivided Parcel
- D = the sum of the estimated Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

According to Denton County Central Appraisal District (“DCAD”) online records, a final plat was recorded on February 27, 2019 Phase #2A, which resulted in 198 Lot Type 2 (50 FT) residential lots from parent Parcels 676921 and 676922. The Assessments reallocated within Phase #2A are shown in Table D-1 on the following page.

Table D-1
Reallocation of Phase #2A Assessments

Prior to Reallocation					After Reallocation					
Parcel	Number of Units	Equivalent Unit Factor	Total Equivalent Units	Total Assessments	Parcel	Number of Units	Equivalent Unit Factor	Total Equivalent Units	Assessment per Unit	Total Assessments
676921	26	0.83	21.58	\$480,979	Various	26	0.83	21.58	\$18,499.18	\$480,979
676922	172	0.83	142.76	\$3,181,860	Various	172	0.83	142.76	\$18,499.18	\$3,181,860
Total	198		164.34	\$3,662,838		198		164.34		\$3,662,838

Additionally, the Phases #2-3 Assessments reallocated due to the filing of the Phase #2A final plat are shown in Table D-2 below.

Table D-2
Reallocation of Phases #2-3 Assessments
Phase #2A Plat Filing

Prior to Reallocation				After Reallocation				
Parcel	Number of Units	Total Equivalent Units	Total Assessments	Parcel	Number of Units	Total Equivalent Units	Assessment per Unit	Total Assessments
676921	220	182.60	\$2,076,842	Various	26	21.58	\$9,440	\$245,445
				676921	194	161.02	\$9,440	\$1,831,397
				<i>Subtotal</i>	<i>220</i>	<i>182.60</i>		<i>\$2,076,842</i>
676922	175	145.25	\$1,652,033	Various	172	142.76	\$9,440	\$1,623,713
				676922	3	2.49	\$9,440	\$28,321
				<i>Subtotal</i>	<i>175</i>	<i>145.25</i>		<i>\$1,652,033</i>
Total	395	327.85	\$3,728,875		395	327.85		\$3,728,875

According to the Developer, Phase #2B will be platted in two subphases, Phase #2B1 (50 FT Lots) and Phase #2B2 (60 FT Lots). According to Denton County Central Appraisal District (“DCAD”) online records, a final plat was recorded on September 3, 2019 for Phase #2B1, which resulted in 191 Lot Type 2 (50 FT) residential lots from parent Parcels 38566, 38571, 637957, and 147923. According to DCAD online records, the Parcels subdivided as Phase #2B1 do not have 2019 values. As a result, the 2019-20 Annual Installments due from the Phase #2B1 Parcels will be collected from the respective parent Parcels. The Assessments reallocated within Phase #2B are shown in Table D-3 on the following page.

Table D-3
Reallocation of Phase #2B Assessments

Prior to Reallocation					After Reallocation					
Parcel ¹	Number of Units	Equivalent Unit Factor	Total Equivalent Units	Total Assessments	Parcel ¹	Number of Units	Equivalent Unit Factor	Total Equivalent Units	Assessment per Unit	Total Assessments
38566	37	1.00	37.00	\$824,662	38566	37	1.00	37.00	\$22,288.17	\$824,662
	125	0.83	103.75	\$2,312,398	Various	125	0.83	103.75	\$18,499.18	\$2,312,398
	162		140.75	\$3,137,060		162		140.75	\$19,364.57	\$3,137,060
38571	27	0.83	22.41	\$499,478	Various	27	0.83	22.41	\$18,499.18	\$499,478
637957	63	1.00	63.00	\$1,404,155	637957	63	1.00	63.00	\$22,288.17	\$1,404,155
147923	39	0.83	32.37	\$721,468	Various	39	0.83	32.37	\$18,499.18	\$721,468
Total	291		258.53	\$5,762,162		291		258.53		\$5,762,162

1-Thirty-seven Lot Type 1 (60 FT Lot) units and sixty-seven Lot Type 1 (60 FT Lot) units to be developed on Parcel 38566 and Parcel 637957, respectively, are to be platted as Phase #2B2, a subphase of Phase #2B.

Additionally, the Phases #2-3 Assessments reallocated due to the filing of the Phase #2B1 final plat are shown in Table D-4 below.

Table D-4
Reallocation of Phases #2-3 Assessments
Phase #2B1 Plat Filing

Prior to Reallocation				After Reallocation				
Parcel	Number of Units	Total Equivalent Units	Total Assessments	Parcel	Number of Units	Total Equivalent Units	Assessment per Unit	Total Assessments
38566	162	140.75	\$1,600,852	Various	125	103.75	\$9,440	\$1,180,024
				38566	37	37.00	\$11,374	\$420,828
				<i>Subtotal</i>	<i>162</i>	<i>140.75</i>		<i>\$1,600,852</i>
38571	105	87.15	\$991,220	Various	27	22.41	\$9,440	\$254,885
				38571	78	64.74	\$9,440	\$736,335
				<i>Subtotal</i>	<i>105</i>	<i>87.15</i>		<i>\$991,220</i>
147923	126	104.58	\$1,189,464	Various	39	32.37	\$9,440	\$368,167
				147923	87	72.21	\$9,440	\$821,297
				<i>Subtotal</i>	<i>126</i>	<i>104.58</i>		<i>\$1,189,464</i>
637957	155	150.75	\$1,714,589		155	150.75		\$1,714,589
Total	548	483.23	\$5,496,125		548	483.23		\$5,496,125

Upon review of the existing Parcels within the PID, the Administrator notice that the Assessments on Parcels 713757, 713758, 713994, and 713995 were erroneously allocated in 2018-19. According to the Developer, Parcel 713757 and Parcel 713758 are to be classified as Lot Type 2 – 50 FT Lots, and Parcel 713994 and Parcel 713995 are to be classified as Lot Type 1 – 60 FT Lots. The adjustment of Assessments for each Parcel is shown in Table D-5 on the following page.

Table D-5
Adjustment of Assessments

Prior to Adjustment				After Adjustment			
Parcel	Lot Type ¹	Equivalent Unit	Outstanding Assessments	Parcel	Lot Type ¹	Equivalent Unit	Outstanding Assessments
713757	1 (60 FT)	1.00	\$33,053	713757	2 (50 FT)	0.83	\$27,434
713758	1 (60 FT)	1.00	\$33,053	713758	2 (50 FT)	0.83	\$27,434
713994	2 (50 FT)	0.83	\$27,434	713994	1 (60 FT)	1.00	\$33,053
713995	2 (50 FT)	0.83	\$27,434	713995	1 (60 FT)	1.00	\$33,053
Total		3.66	\$120,973	Total		3.66	\$120,973

1-Lot Type classification provided by Developer.

II. PREPAYMENT OF ASSESSMENTS

According to the Trustee, Parcel 713889, Parcel 707734, and Parcel 707676 have prepaid their Assessments in full as of August 31, 2019.

The complete Assessment Roll is available for review at the City hall, located at 107 Main St, Aubrey, Texas 76227.

APPENDIX A
PID MAP

APPENDIX B
2019-20 PHASE #1 ASSESSMENT ROLL SUMMARY

APPENDIX C
2019-20 PHASES #2-3 ASSESSMENT ROLL SUMMARY

APPENDIX D
2019-20 PHASE #2 ASSESSMENT ROLL SUMMARY