

GALVESTON COUNTY MUD 12

Community Education Presentation

WHAT'S THE DIFFERENCE BETWEEN BOND AUTHORIZATION AND BOND ISSUANCE

What is Bond Authorization?

What is Bond Issuance/Sale?

What are other funding options?

WHAT IS BOND AUTHORIZATION?

A bond authorization is an authorization to sell bonds to fund district projects. It is similar to a line of credit that a business might use to fund their operations.

While authorization is usually requested for an amount that will provide sufficient funds serve the district for multiple years, bonds may only be sold once necessary projects have completed design, been approved by the board, and passed the review of all required regulatory bodies.

WHAT IS BOND AUTHORIZATION?

An authorization is not immediate funding, nor is it a “blank check” to fund the entire amount of the authorization without meeting strict regulatory requirements on each proposed sale.

Bond authorization means issuing bonds becomes an option, not a requirement. Each project is evaluated independently to determine the most efficient way to fund the work to be completed.

WHAT IS BOND AUTHORIZATION?

Bond authorization allows the district the ability and flexibility to build and maintain district infrastructure in a cost-effective way for every property owner of the district.

Bond authorization allows a district to move quickly to affect repairs after a major disaster or large-scale failure when the "pay as you go" model might take years to accumulate the necessary funds necessary before work can even begin.

WHAT IS BOND ISSUANCE/SALE?

If a district has available bonding authority available for a proposed project, bonds will be issued/sold in increments, over time, as needed, and when there is enough tax revenue to support the repayment of the bond.

Prior to a proposed bond being sold it must be reviewed and approved by the Board of Directors, the Texas Commission on Environmental Quality (TCEQ), and the Texas Attorney General to assure the projects meet all regulatory requirements.

WHAT IS BOND ISSUANCE/SALE?

Each new bond issue will be evaluated against other funding options to determine the best alternative for any given project or projects at that time.

Bonds are sold at public meetings and pursuant to a competitive bidding process overseen by the Board and in accordance with state and federal requirements for the sale of tax-free municipal bonds.

BOND AUTHORIZATION VS. "PAY AS YOU GO" METHOD

The two primary options available to the Board of GCMUD12 for funding are:

- (1) to spread the costs of the projects out over time through the issuance of bonds
- (2) to pay for the projects with cash using a "pay as you go" approach requiring substantial increases in water and sewer bills.

"Pay As You Go" Method

- A district must have funds on hand before it can proceed with the public bidding of a construction project.
- Funding the projects with water and sewer rates would require a significant increase in rates in the short term to collect the required funds necessary to begin the work.
- This method places the financial burden for long-term projects on current residents and could create delays and increased costs for the completion of large projects.

Bond Authorization

- Allows the Board to spread the costs of the necessary projects over numerous years and avoid the increase of water and sanitary sewer rates typically required by a "pay as you go" approach.
- Spreads the cost for these projects out over many years and among both current and future residents and businesses in the District.
- Enables the District to complete necessary projects quickly and maximize useful life of the infrastructure.

BOND ISSUANCE VS "PAY AS YOU GO"

Bond Issuance

Example: Bond Sale \$1,850,000

- Bonds are sold to fund project
- *Ad valorem* (property tax rate) should not increase
- Average home contribution to project: \$6/month, or approx. \$75/year
- Current and future residents share debt burden over 30 years

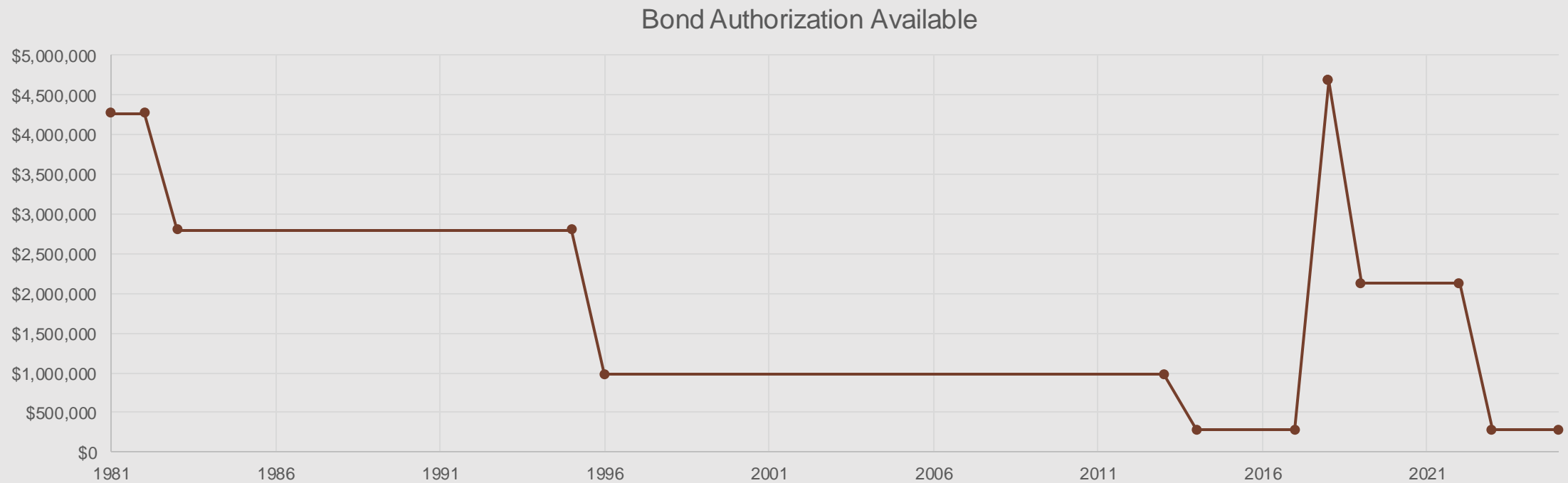
"Pay As You Go"

Example: Project cost \$1,665,000

- Water bills are funding source
- Water rates increase in advance of project to fund (barring emergency need)
- Would necessitate a \$79/month or \$947/year
- Financial Burden is immediate and 100% on current residents/property owners

In both cases, funding for project must be "in the bank" prior to bidding the Project.

BOND AUTHORIZATION HISTORY



GCMUD 12 BOND AUTHORIZATION KEY TAKEAWAY

The Bond Authorization request is \$ 9,880,000 for bonds to be sold later in the future when the projects are ready to be done and when tax funds are available. It is currently anticipated that when these bonds are sold in the future, it will be broken up and done at multiple different times to cover the work needed and match the tax funds that are available.

THANK YOU

We will discuss the specifics of the District's proposed projects at a future public meetings

Please stay tuned to the website for details

www.mud12galveston.com