

MEMORANDUM

TO: Donna Barron, City Manager

FROM: Brenda Martin, Director of Finance

DATE: September 20, 2018

SUBJECT: **Consideration of an Ordinance Updating the Assessment/Service Plan and Assessment Roll for Lewisville Castle Hills Public Improvement District No. 4 Project; Providing a Repealer; Providing For Severability; Providing an Effective Date; and Declaring an Emergency**

BACKGROUND

Chapter 372 of the Local Government Code authorizes the creation of Public Improvement Districts (PIDs) to provide a tool by which a city can levy and collect special assessments on property that is within the city or within the city's extraterritorial jurisdiction (ETJ) for designated purposes including the construction of street and water/wastewater improvements. In 1996, the city entered into a development agreement with Denton County Fresh Water Supply Districts (DCFWSO) No. 1-A and No. 1-B and Bright Farm Partnerships to create PIDs to provide the financing necessary for infrastructure development in the city's ETJ.

Since the approval of the 1996 agreement, DCFWSO 1-A divided into additional districts—1-C, 1-D, 1-E, 1-F, 1-G and 1-H. PIDs have been approved by the City Council as follows:

PID No. 1	DCFWSO 1-B
PID No. 2	DCFWSO 1-D
PID No. 3	DCFWSO 1-E
PID No. 4	DCFWSO 1-F
PID No. 5	DCFWSO 1-G
PID No. 6	DCFWSO 1-H
PID No. 7	DCFWSO 1-C

Combination Contract Revenue and Special Assessment bonds have been issued in the districts which are paid via property tax collections in the respective district (an assessment on property owners in the districts would only occur if tax collections were insufficient to cover debt payments). Total outstanding debt for these PIDs as of the date of this meeting is \$142.87M. This debt is strictly a liability of the districts and not the City of Lewisville.

ANALYSIS

On April 2, 2007, the City Council passed a resolution approving and authorizing the creation of PID No. 4 to finance the costs of certain authorized public improvements. The City Council also called for a public hearing to consider approving the Service and Assessment Plan and the

Assessment Roll. On May 21, 2007 a public hearing was held and the Plan and Roll were approved. On May 19, 2014 a public hearing was held and an amended and supplemental plan was adopted for development changes due to lots being subdivided into different sizes that had not originally been anticipated in the original Service and Assessment Plan. The plan was later updated in 2017.

The Service and Assessment Plan identifies the public improvements to be provided by the PID, the cost of the public improvements, the indebtedness to be incurred for the public improvements, and the manner of assessing the property in the PID for the costs of the public improvements. The Assessment Roll identifies the assessment on each parcel, based on the method of assessment identified in the Plan. The plan is being updated now to reflect current status.

Pursuant to the requirement of the Attorney General (AG) at the time the first bonds were issued in 2008 for PID No. 4 (District 1-F), the City levied assessments on property in PID No. 4 (prior to 2008, the AG didn't require assessments). The assessments were set up to be 10% of the total voted bond authority for District 1-F and therefore pay 10% of the debt payments. The remaining 90% of debt payments is paid via interest and sinking (I&S) property taxes. The assessments were structured such that when a certificate of occupancy (CO) was issued to a builder by the City, the builder or developer prepaid the total amount of the assessment so that no assessments would be outstanding when the homes were sold to end users. Currently, final public improvement costs that have been provided by the PID are known (\$27,757,231.42) and all assessments and annual installments (interest on the assessment accrued between time assessments are levied and CO was issued) have been paid and completed (\$4,270,568.58). To date, these assessments and annual installments have redeemed (prepaid) \$3,935,000 of principal on debt that has been issued for the PID.

The updated Plan PID No. 4 encompasses DCFWSD 1-F and is made up of approximately 264 acres subdivided into 1,097 residential lots and 86.83 acres of commercial tracts and 13.85 common-use acres.

RECOMMENDATION

It is City staff's recommendation that the City Council approve the ordinance as set forth in the caption above.