

AGENDA PLACEMENT FORM

(Submission Deadline – Monday, 5:00 PM before Regular Court Meetings)

Date: _____

Meeting Date: 12/20/2024

Submitted By: County Judge's Office

Department: _____

Signature of Elected Official/Department Head:

Court Decision: <small>This section to be completed by County Judge's Office</small>
 <div style="color: red; font-weight: bold;">12-20-2024</div>

Description:

Acknowledge Receipt of Texas Commission on Environmental Quality (TCEQ)
Order Granting the Petition for Creation of Johnson County Municipal Utility
District No. 2 and Appointing Temporary Directors-County Judge's Office

(May attach additional sheets if necessary)

Person to Present: _____

(Presenter must be present for the item unless the item is on the Consent Agenda)

Supporting Documentation: (check one) ☒ PUBLIC ☐ CONFIDENTIAL

(PUBLIC documentation may be made available to the public prior to the Meeting)

Estimated Length of Presentation: _____ minutes

Session Requested: (check one)

☐ Action Item ☒ Consent ☐ Workshop ☐ Executive ☐ Other _____

Check All Departments That Have Been Notified:

☒ County Attorney ☐ IT ☐ Purchasing ☐ Auditor

☐ Personnel ☒ Public Works ☐ Facilities Management

Other Department/Official (list) _____

**Please List All External Persons Who Need a Copy of Signed Documents
In Your Submission Email**

Approved in CC on 9/11/2023

Jon Niermann, *Chairman*
Bobby Janecka, *Commissioner*
Catarina R. Gonzales, *Commissioner*
Kelly Keel, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 3, 2024

Ms. Emily Forswall
Coats Rose, PC
16000 N. Dallas Parkway, Suite 350
Dallas, Texas 75248

Re: Johnson County Municipal Utility District No. 2, Order Approving the Creation of the District

Dear Ms. Forswall:

Enclosed is a certified copy of an Order issued by the Texas Commission on Environmental Quality regarding the referenced matter. This action is taken under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

Should you have a question, please contact Mr. Darryl Smith at (512) 239-4172.

Sincerely,

A handwritten signature in black ink, appearing to read "Michele Risko".

Michele Risko, Deputy Director
Water Supply Division

MR/ds

Enclosures

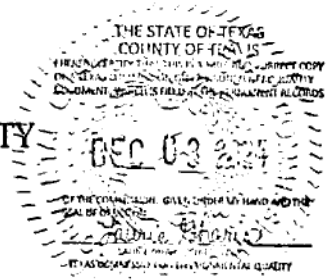
ccs: Mailing list

MAILING LIST

Johnson County MUD No. 2
TCEQ Internal Control No. D-10132022-026

<p>Ms. Mindy Koehne Coats Rose, PC 16000 N. Dallas Parkway, Suite 350 Dallas, Texas 75248</p> <p>Mr. Alex S. Pfefferkorn, P.E. Quiddity Engineering, LLC 2805 Dallas Parkway, Suite 600 Plano, TX 75093</p> <p>Ms. Alyssa Taylor TCEQ Region 4 2309 Gravel Drive Fort Worth, Texas 76118</p> <p>The Honorable DeWayne Burns State Representative District No. 58 Room E1.322 P.O. Box 2910 Austin, Texas 78768</p> <p>The Honorable Phil King Senate District No. 10 P.O. Box 12068 Capitol Station Austin, Texas 78711</p> <p>The Honorable April Long Johnson County Clerk 2 N. Main Street Cleburne, TX 76033</p> <p>Commissioners Court of Johnson County c/o The Honorable Christopher Boedeker County Judge 2 N. Main Street Cleburne, TX 76033</p> <p>Ms. Susana Marin City Secretary The City of Mansfield 1200 E. Broad Street Mansfield, Texas 76063</p>	<p>Texas Commission on Environmental Quality P. O. Box 13087 Austin, Texas 78711-3087</p> <p>Todd Galiga, Senior Attorney, Environmental Law Division, MC-173</p> <p>Harrison Malley, Attorney, Environmental Law Division, MC-173</p> <p>Justin Taack, Section Manager, Districts Section, MC-152</p> <p>Michael Briscoe, Team Lead, Districts Creation Review Team, MC-152</p> <p>Darryl Smith, Districts Bond Team, MC-152</p> <p>Michelle Voytko, Drinking Water Technical Review, Water Supply Division, MC-155</p> <p>Garrett Arthur, Office of the Public Interest Counsel, MC-103</p>
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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



AN ORDER GRANTING THE PETITION FOR CREATION OF JOHNSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 2 AND APPOINTING TEMPORARY DIRECTORS

A petition by Cipriani Island Laguna Azure, LLC, a Texas limited liability company (the "Petitioner") was presented to the Executive Director of the Texas Commission on Environmental Quality (TCEQ) for approval of the creation of Johnson County Municipal Utility District No. 2 (District) pursuant to Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.

The TCEQ, after having considered the petition, application material, and memorandum from the Executive Director dated May 31, 2023 (Memorandum), attached as Exhibit "B," finds that the petition for creation should be approved.

The TCEQ finds that the creation of the proposed District as set out in the application is feasible, practicable, and necessary, and would be a benefit to the land to be included in the proposed District.

The TCEQ further finds that the proposed District and its system and subsequent development within the proposed District will not have an unreasonable effect on land elevation, subsidence, and groundwater level within the region, recharge capability of a groundwater source, natural runoff rates and drainage, water quality, or total tax assessments on all land located within the proposed District.

All of the land and property proposed may properly be included within the proposed District.

In accordance with LOCAL GOVERNMENT CODE §42.042 and TEX. WATER CODE §54.016, the Petitioners submitted a petition to the City of Mansfield, Texas (City), requesting the City's consent to the creation of the District. After more than 90 days passed without receiving consent, the Petitioners submitted a petition to the City to provide water or sewer services to the District. The 120-day period for reaching a mutually agreeable contract as established by the TEX. WATER CODE §54.016(c) expired and information provided indicates that the Petitioner and the City have not executed a mutually agreeable contract for service. Pursuant to TEX. WATER CODE §54.016(d), failure to execute such an agreement constitutes authorization for the Petitioner to proceed to the TCEQ for inclusion of their Property into the District.

All statutory and regulatory requirements for creation of Johnson County Municipal Utility District No. 2 have been fulfilled in accordance with TEX. WATER CODE § 54.021 and 30 TEX. ADMIN. CODE §§ 293.11-293.12.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY THAT:

1. The petition for the creation of Johnson County Municipal Utility District No. 2 is hereby granted.

2. The District is created under the terms and conditions of Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.

3. The District shall have, and shall be subject to, all of the rights, duties, powers, privileges, authority, and functions conferred and imposed by the TCEQ and the general laws of the State of Texas relating to municipal utility districts, including road powers under TEX. WATER CODE § 54.234, subject to the requirements of the TCEQ and the general laws of the State of Texas relating to the exercise of such powers.

4. The District shall be composed of the area situated wholly within the extraterritorial jurisdiction of the City of Mansfield, Johnson County, Texas, described by metes and bounds in Exhibit "A" attached hereto and incorporated herein for all purposes.

5. The Memorandum dated May 31, 2023, attached as Exhibit "B," is hereby incorporated as part of this Order.

6. The persons listed in Recommendation No. 4 of the Memorandum are hereby named and appointed as temporary directors and shall, as soon as practicable after the date of entry of this Order, execute their official bonds and take their official oaths of office. All such bonds shall be approved by the Board of Directors of the District, and each bond and oath shall be filed with the District and retained in its records.

7. This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the TCEQ in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for TCEQ consideration.

8. The Chief Clerk of the TCEQ shall forward a copy of this Order to all affected persons.

9. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: November 22, 2024



For the Commission

Exhibit "A"

FIGURE 2

JOHNSON COUNTY MUNICIPAL UTILITY DISTRICT 2

184.30 ACRES

JOHNSON COUNTY, TEXAS

June 3, 2022

184.30 Acres

B.B.B. & C.R.R Survey, Abstract Number 83

K. Johnson Survey, Abstract Number 464

BEING all that certain lot, tract, or parcel of land, situated in the B.B.B. & C.R.R. Company Survey, Abstract Number 83, and the K. Johnson Survey, Abstract Number 464, Johnson County, Texas, and being all of that certain called 172.165 acre tract of land, described in deed to Sherman T. Pressley, and S. K. Pressley, recorded in Volume 1069, Page 176, Deed Records, Johnson County, Texas, being all of that certain called 10.062 acre tract of land, described as Tract II in deed to NWBB Corp., recorded in Instrument Number 2021-15400, Real Property Records, Johnson County, Texas, being all of that certain called 6.3793 acre tract of land, out of said 172.165 acre tract, described in deed to Kathy Cooley & David W. Cooley, recorded in Volume 4034, Page 106, Deed Records, Johnson County, Texas, and being more particularly described as follows:

BEGINNING at the most southerly southwest corner of said 172.165 acre tract, and being in County Road 617;

THENCE N 30°00'00" W, with the west line of said 172.165 acre tract, a distance of 519.45 feet;

THENCE S 60°00'00" W, with the west line of said 172.165 acre tract, a distance of 430.56 feet to the westerly southwesterly corner thereof;

THENCE N 30°00'00" W, with the west line of said 172.165 acre tract, a distance of 2450.00 feet to the northwest corner thereof;

THENCE N 60°00'00" E, with the north line of said 172.165 acre tract, a distance of 2372.22 feet to the northeast corner thereof, and being the northwest corner of that certain called 14.955 acre tract of land, described as Tract I in said deed to NWBB Corp.;

THENCE S 30°03'47" E, with the east line of said 172.165 acre tract, and the west line of said Tract I, a distance of 600.48 feet, to the southwest corner thereof, and being the northwest corner of said Tract II;

THENCE N 60°24'21" E, with the south line of said Tract I, and the north line of said Tract II, a distance of 1446.42 feet to the northeast corner thereof and being in the approximate center of Mesquite Drive;

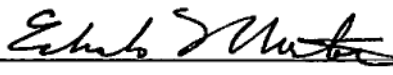
THENCE S 29°39'22" E, with the east line of said Tract II and with said Mesquite Drive, a distance of 303.53 feet;

THENCE S 60°25'43" W, with the south line of said Tract II, and a north line of that certain called 547.277 acre tract of land, described in deed to Sunbelt Land, recorded in Volume 3450, Page 120, Deed Records, Johnson County, Texas, a distance of 1444.27 feet to the southwest corner of said Tract II, and being in the east line of said 172.165 acre tract;

THENCE S 30°03'47" E, with the west line of said Sunbelt Land tract, and the east line of said 172.165 acre tract, a distance of 2852.15 feet to the southeast corner thereof;

THENCE S 81°59'59" W, with the south line of said 172.165 acre tract, a distance of 2098.61 feet to the POINT OF BEGINNING, and containing approximately 184.30 acres of land.

NOTE: "This document was prepared under 22 TAC 138.95, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the political subdivision for which it was prepared".

 6/3/2022

Eduardo Martinez
Registered Professional Land Surveyor No. 5274

 **QUIDDITY**

Telephone 972-488-3880 Ext. 7177
Texas Board of Engineers and Land Surveyors
Engineer Registration No. F-23290
Survey Registration No. 10046100



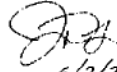
Issued: June 3, 2022

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Justin P. Taack, Manager
Districts Section

Date: May 31, 2023


6/2/2023

Thru: Daniel Finnegan, Team Lead
District Bond Team

From: Darryl Smith, P.E.
Districts Bond Team

Subject: Revised Petition by Cipriani Island Laguna Azure, LLC for Creation of Johnson County Municipal Utility District No. 2 (District); Pursuant to Texas Water Code Chapters 49 and 54.
TCEQ Internal Control No. D-10132022-026
CN: 606069250 RN: 111588778

A. GENERAL INFORMATION

The Texas Commission on Environmental Quality (TCEQ) received a revised petition (petition) within the application requesting approval for the creation of Johnson County Municipal Utility District No. 2 (District). The petition was signed by Amin Afzalipour, Co-President of Cipriani Island Laguna Azure, LLC, a Texas limited liability company (Petitioner). The petition states that the Petitioner holds title to a majority in value of the land included in the proposed District and it further states that there are two lienholders, First Guaranty Bank and MCI Preferred Income Fund IV, LLC, on the property to be included in the proposed District.

The District is proposed to be created and organized according to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code (TWC).

Location and Access

This District will be part of an overall 517.534-acre development called Cipriani which is comprised of two municipal utility districts, Johnson County MUD No. 1 (JCMUD 1) and Johnson County MUD No. 2 (JCMUD 2). The proposed District is approximately 25 miles southeast of Central Business District of the City of Fort Worth, Texas (via US 287 and County Road 617) within the extraterritorial jurisdiction of the City of Mansfield, Texas (City). The vicinity map indicates the District is located near the intersection of County Road (CR) 514 and County Road (CR) 617. The land tract is adjacent to JCMUD 1 and access to the District is provided by CR 514 and CR 617.

Metes and Bounds Description

The proposed District contains 184.30 acres of land. The metes and bounds description of the proposed District has been reviewed and checked by TCEQ's staff and has been found to form an acceptable closure.

City Consent

In accordance with Local Government Code § 42.042 and Texas Water Code § 54.016, a petition was submitted to the City, requesting the City's consent to the creation of the proposed District. After more than 90 days passed without receiving consent, a petition was submitted to the City to provide water and sewer services to the proposed District. The 120-day period for reaching a mutually agreeable contract as established by the Texas Water Code § 54.016(c) expired and information provided indicates that the Petitioner and the City have not executed a mutually agreeable contract for service. Pursuant to Texas Water Code § 54.016(d), failure to execute such an agreement constitutes authorization for the Petitioner to proceed to the TCEQ for inclusion of their Property into the proposed District.

County Notification

In accordance with TWC Section 54.0161, a certified letter, dated December 7, 2022, was sent to the Commissioners Court of Johnson County which provided notice of the proposed District's pending creation application and provided them an opportunity to make their recommendations. To date, the county has not responded to this notification.

Statements of Filing Petition

Evidence of filing a copy of the petition with the Johnson County Clerks' office, the TCEQ's regional office, the Texas state representative, and the Texas state senator was included in the application.

Type of Project

The proposed District will be considered a "developer project" as defined by 30 Texas Administrative Code (30 TAC) Section 293.44(a). Therefore, developer cost participation in accordance with 30 TAC Section 293.47 will be required.

Developer Qualifications

In operation since 2005, Megatel Homes and its related entities have entitled, sold, and/or developed approximately 3,750 lots in numerous municipalities in the state of Texas. Additionally, the developer is actively entitling projects encompassing over 7,200 lots, including the subject tract. The principals of Megatel Homes have 18 years of real estate, homebuilding, and development experience. Megatel builds standard single-family homes, townhomes, multifamily, and commercial structures.

Certificate of Ownership

By signed certificate dated February 23, 2023, the Johnson Central Appraisal District has certified that the appraisal rolls indicate that the Petitioner is the owner of all of the land in the proposed District.

Temporary Director Affidavits

The TCEQ has received affidavits for consideration of the appointment of the following five temporary directors:

Aaron Mabry

Carrie Mendez

Deshell Fennell

Lorraine Stacy

Patrical McNeary

Each of the above persons named is qualified, as required by 30 TAC Section 293.32(a), to serve as a temporary director of the proposed District as each (1) is at least 18 years old, (2) is a resident of the State of Texas, and (3) either owns land subject to taxation within the proposed District or is a qualified voter within the proposed District. Additionally, as required by TWC Section 54.022, the majority are residents of the county in which the proposed District is located, a county adjacent to the county in which the proposed District is located, or if the proposed District is located in a county that is in a metropolitan statistical area designated by the United States Office of Management and Budget or its successor agency, a county in the same metropolitan statistical area as the county in which the proposed District is located.

Notice Requirements

Proper notice of the application was published on April 1, 2023, and April 8, 2023, in the *Cleburne Times Review*, a newspaper regularly published or circulated in Johnson County, the county in which the district is proposed to be located. Proper notice of the application was posted on March 28, 2023, in the Johnson County Courthouse, the place where legal notices in Johnson County are posted. Accordingly, the notice requirements of 30 TAC Section 293.12(b) have been satisfied. The opportunity for the public to request a contested case hearing (comment period) expired May 8, 2023.

B. ENGINEERING ANALYSIS

The creation engineering report indicates the following:

Availability of Comparable Service

According to the application materials, the District is not located within any city limits or municipal utility district. The District is located in the Water Certificate of Convenience and Necessity (CCN) of Johnson County Special Utility District (JCSUD). Communications with JCSUD are ongoing, however thus far JCSUD has not committed to supply water capacity or wastewater disposal capacity to the proposed District. A hydraulic report submitted by JCSUD dated August 3, 2022, indicates extensive infrastructure improvements are needed to the pressure plane to support the proposed District's water supply requirements. Based on the engineering report (including maps), the necessary water supply trunklines are not available through JCSUD in the area and there are no other adjacent active water district facilities with adequate capacity to service the proposed District. The District plans to construct and share capacity with newly created Johnson County MUD No. 1 (JCMUD No. 1) including water supply/distribution facilities and a wastewater treatment plant. Furthermore, the District will construct its own wastewater collection system, a storm drainage system, roads, and detention improvements to serve its customers.

Water Supply Improvements

It is anticipated that the proposed District will ultimately construct and operate one water plant and pertinent water wells that will provide service for both JCMUDs 1 and 2. At startup Water Plant No. 1 will include one (1) 200 gpm water well, one (1) 361,000 gallon ground storage tank, one (1) 15,000 gallon pressure tank and three (3) 800 gpm booster pumps. Construction will be phased to coincide with the overall rate of development. The development (including commercial building and schools) is anticipated to have approximately 2,110 equivalent single-

family connections (ESFCs); 1,579 ESFCs for JCMUD No.1 and 531 ESFCs for JCMUD No. 2. At full development, the average daily demand is estimated to be 759,582 gallons per day (gpd).

Water Distribution Improvements

The water distribution system within the District will consist of a combination of 16-inch, 12-inch and 8-inch water lines to ensure that all service connections are provided with an ample supply of water at adequate pressure for the District. The water distribution system will be designed with the capacity to maintain a minimum pressure of 35 psi under normal operating conditions and a minimum pressure of 20 psi under emergency operating conditions per TCEQ requirements. The water distribution and supply system improvements will be designed in accordance with applicable design criteria as established by the TCEQ, Johnson County and the City. Water will be distributed within the District by internal facilities constructed by the District as needed.

Wastewater Treatment Improvements

The District plans to construct, maintain, and operate its own wastewater treatment plant that will provide service for both JCMUD Nos. 1 and 2. Including commercial and schools, the development is anticipated to have approximately 2,110 equivalent single-family connections (ESFCs) with 1,579 ESFCs allocated for JCMUD No. 1 and 531 ESFCs for JCMUD No. 2. The ultimate required treatment plant capacity for the District is approximately 664,634 gallons-per-day (gpd). The wastewater treatment plant located within the proposed District boundary will be constructed in three (3) phases. Interim Phase I is limited to 0.20 MGD, Interim Phase II is limited to 0.40 MGD, and the Final Phase is limited to 1.0 MGD. The plant will ultimately discharge into a tributary of Mountain Creek. A new discharge permit will be required.

Wastewater Collection Improvements

The wastewater generated by development within the District will flow by gravity through internal sanitary sewer lines to the onsite wastewater treatment plant (WWTP). The District plans to use one (1) lift station and a combination of 18-inch, 15-inch, 12-inch, 10-inch and 8-inch gravity sanitary sewer line to convey flow to the proposed WWTP. The wastewater collection system will be designed in accordance with criteria established by Johnson County, the City and TCEQ.

Storm Water Drainage System and Drainage Improvements

The storm water collection system for full development of the District will consist of a combination of street curbs and gutters with inlets, detention ponds, and internal storm drain conduit. The District storm drainage system will complement the proposed concrete curb-and-gutter paved streets and have a minimum pipe diameter of 24 inches and a minimum flow velocity of 3 feet per second. The storm sewer conveyance will outfall into on-site detention ponds and ultimately into the Mountain Creek Watershed. The on-site drainage system will provide detention storage in conformance with Johnson County design criteria.

Road Improvements

Based on the Mansfield Major Thoroughfare Plan (MMTP), the District will fund main points of access by constructing thoroughfares and paved streets. In addition, the District will provide access to the main entrances, collector roads, and local streets to coincide with the land use plan. The District proposes to support the construction of major and minor roadways as

needed for development. The roadways will be designed in accordance with Johnson County standards.

Recreational Facilities

The proposed District is not funding parks and recreational facilities in the creation material.

Topography/Land Elevation

The District acreage is mostly comprised of farmland area. The existing elevations throughout the tract range from approximately 608 feet above mean sea level (msl) to 660 feet above msl. There are no plans to significantly alter land elevations in the District. Therefore, development within the proposed District is not expected to have an unreasonable effect on overall land elevations.

Floodplain

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Panel No. No. 48251C0100J dated December 4, 2012, there are 100-year floodplain areas within the District. Based on feedback from the engineer, floodplain areas will be avoided, or FEMA level drainage studies will be required and approved prior to any development activity in the floodplain.

Subsidence

The District is located within the Prairielands Groundwater Conservation District and will be responsible for compliance with any existing water conservation programs including water well permits/withdrawal limits. It is anticipated that the District's water usage will not have an adverse effect on land subsidence within the area.

Dam Safety Analysis

The TCEQ Dam Safety Program personnel reviewed the location of the proposed District and confirmed by letter dated June 3, 2022, that there are no dam safety issues associated with the proposed District.

Groundwater Levels/Recharge

The District is located within the recharge zones of the Trinity and Woodbine aquifers. According to the engineering report the District's impact on the recharge zones is insignificant and is not expected to affect the recharge capability of the aquifer. The District will be responsible for compliance with applicable conservation groundwater rules in the area. It is anticipated that the District will have no adverse effect on the groundwater recharge capability in the area.

Natural Run-off and Drainage

The land generally slopes towards a river branch that bisects the tract and in a southerly direction down Mountain Creek and ultimately into Joe Pool Lake. Development of the proposed District will increase the natural runoff rates when compared to the present undeveloped state of the land. Detention improvements within the District should prevent any significant problems from the increased run-off. All proposed detention improvements will be designed and constructed in accordance with Johnson County criteria.

Water Quality

Water supply quality will be controlled and maintained by District per drinking water standards. The treatment and disposal of wastewater from the proposed District will be provided by dedicated wastewater treatment facilities owned and operated jointly by the District, requiring applicable regulatory permits to ensure compliance. No adverse effect of the water quality of ground or surface water is anticipated as a result of this development.

C. SUMMARY OF COSTS

WATER, WASTEWATER, AND DRAINAGE

<u>Construction Costs</u>	<u>District Share ⁽¹⁾</u>
A. Developer Contribution Items	
1. Water Plant Facilities	\$ 3,385,847
2. Wastewater Treatment Plant Facilities	4,995,344
3. Internal Water, Sanitary, and Drainage Facilities	3,512,200
4. Trunk Water and Sanitary Sewer Facilities	550,532
5. Lift Station & Force Main Facilities	586,840
6. Detention Facilities	771,033
7. Land Costs	659,940
8. Contingencies (15% of Item Nos. 1 - 6)	2,070,269
9. Engineering and Testing (18% of Item Nos. 1 - 6)	<u>2,484,323</u>
Total Developer Contribution Items	\$ 19,016,328
 TOTAL CONSTRUCTION COSTS	 \$ 19,016,328
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 653,000
B. Fiscal Agent Fees	522,000
C. Interest Costs	
1. Capitalized Interest (1 years @ 5.0%)	1,305,000
2. Developer Interest (5.0%)	1,902,000 ⁽²⁾
D. Bond Discount (3%)	783,000
E. TCEQ Bond Issuance Fee (0.25%)	65,000
F. Bond Application Report Costs	800,000
G. Market Study	20,000
H. Initial Operation Cost	300,000
I. District Creation Cost (Legal and Engineering)	100,000
J. Attorney General's Fee (0.1%)	26,000
K. Issuance Expenses	<u>607,672</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 7,083,672
 TOTAL W, WW, & D BOND ISSUE REQUIREMENT	 \$ 26,100,000

Notes: (1) Assumes 68% funding of anticipated developer contribution items, where applicable

(2) Assumes the bonds to reimburse the developer will be sold on average 2 years following the completion of facilities.

Eligibility of costs for District funding and 30% developer contribution requirements will be determined in accordance with TCEQ rules in effect at the time bond applications are reviewed.

ROAD IMPROVEMENTS

<u>Construction Costs</u>	<u>District Share</u> ⁽¹⁾
A. Roads	\$ 2,792,080
B. Contingencies (15% of Item A)	418,812
C. Engineering and Testing (18% of Item A)	<u>502,574</u>
TOTAL CONSTRUCTION COSTS	\$ 3,713,466
 <u>Non-Construction Costs</u>	
A. Legal Fees	122,000
B. Fiscal Agent Fees	\$ 98,000
C. Interest Costs	
1. Capitalized Interest (1 year @ 5.0%)	244,000
2. Developer Interest (5.0%)	371,000 ⁽²⁾
D. Bond Discount (3%)	146,000
E. Bond Application Report Costs	50,000
F. Issuance, Organization and Administrative Costs	130,534
G. Attorney General's Fee (0.1%)	<u>5,000</u>
TOTAL NON-CONSTRUCTION COSTS	\$ 1,166,534
 TOTAL ROAD BOND ISSUE REQUIREMENT	 \$ 4,880,000

Notes: (1) Assumes 68% funding of anticipated developer contribution items, where applicable.
(2) Based on developer advancing funds approximately two years prior to reimbursement.

A preliminary layout of roads proposed for funding has been provided, and they appear to benefit the proposed District and the land included within the proposed District. TCEQ's review of eligibility of costs may be determined in accordance with TCEQ rules in effect at the time bond applications are reviewed.

D. ECONOMIC ANALYSIS

Land Use

The District is planned to consist of single-family home (acreage) development. Planned ultimate development in the proposed District, as shown in the land use plan provided, is as follows:

<u>Land Use</u>	<u>Acreage</u>	<u>ESFCs</u>
Single Family (40' Lots)	60.30	310
Single Family (50' Lots)	42.98	221

WP, WWTP & Lift Stations sites	2.50	0
Detention / Drainage / Open Space	59.20	0
Gas Wells	6.51	0
Throughfares & Collectors / Other	<u>14.81</u>	<u>0</u>
Total	186.30	531

Market Study

A market study, prepared in May 2022 by John Burns Real Estate Consulting has been submitted in support of the creation of the proposed District. The proposed District is expected to include approximately 531 equivalent single family connections on 103.28 acres out of a tract totaling 186.30 acres. The average home value per unit is expected to be approximately \$449,590 for a single family home on a 40' x 120' lot and \$518,203 on a 50' x 120' lot. The study indicates the anticipated absorption of 84 homes annually (48 per year for 40' lots and 36 per year for 50' lots) over a 5 year buildout period.

Project Financing

The projected taxable assessed valuation (AV) for the proposed District is as follows:

<u>Development Description</u>	<u>Units</u>	<u>*Estimated Value per Unit</u>	<u>Total Buildout Value</u>
Single Family (40' Lots)	310 Lots	\$449,562	\$139,364,220
Single Family (50' Lots)	221 Lots	\$517,666	<u>\$114,404,186</u>
Total Assessed Valuation			\$253,768,406

*Note: Average price for homes in JCMUD 1 and JCMUD 2 as listed in the engineering report.

Considering the issuance of a total of \$30,980,000 (\$26,100,000 for utilities and \$4,880,000 for roads) in bonds, assuming 100% financing, a bond coupon rate of 5.0%, and a 25-year bond life, the average annual debt service requirement would be \$2,198,107 (\$1,851,859 for utilities and \$346,248 for roads). Assuming a 98% collection rate and an ultimate AV of \$253,768,406, a projected ultimate tax rate of approximately \$0.89 (\$0.75 for utilities and \$0.14 for roads) per \$100 AV was indicated to be necessary to meet the annual debt service requirements for the proposed District. An additional \$0.12 per \$100 AV is projected to be levied for maintenance and operating expenses, for a combined proposed District tax rate of \$1.01.

Based on the information provided and assuming 100% financing, the total year 2021 overlapping tax rates on land within the proposed District are shown as follows:

<u>Taxing Jurisdiction</u>	<u>Tax Rates (Johnson County) ⁽¹⁾</u>
Johnson County MUD No. 2 (District)	\$1.010 ⁽²⁾⁽³⁾
Johnson County	\$0.380
Lateral Road	\$0.040
Johnson County ESD #1	\$0.060
Alvarado ISD	\$1.372
Hill College ALS	<u>\$0.050</u>

TOTAL TAX per \$100 AV:

\$ 2.912

Notes: (1) Tax rate per \$100 assessed valuation.
(2) Represents \$0.75 for utilities and \$0.14 for roads, and \$0.12 for operation and maintenance tax.
(3) Assuming 68% funding of anticipated developer contribution items, where applicable.

Based on the proposed District tax rate and the year 2021 overlapping tax rate on land within the proposed District, the project is considered economically feasible. Each bond issue will be evaluated based on its own economic feasibility merits.

Water and Wastewater Rates

According to information provided, the District will provide retail water and wastewater services to its customers at competitive rates as follows:

Water rate:

Monthly Fee

Residential (\$32.00 Flat Fee/ESFC)
\$2.90 per 1,000 gallons
\$3.30 per 1,000 gallons
\$4.40 per 1,000 gallons

Water Usage

10,000 gallons or less
10,001 to 20,000 gallons
20,001 to 25,000 gallons
25,001 gallons and over

Wastewater rate:

Monthly Fee

Residential (\$32.00 Flat Fee/ESFC)
\$1.50 per 1,000 gallons
\$1.75 per 1,000 gallons
\$2.00 per 1,000 gallons

Water Usage

10,000 gallons or less
10,001 to 20,000 gallons
20,001 to 25,000 gallons
25,001 gallons and over

Based on the above rates, the estimated monthly fee for 10,000 gallons of water and wastewater would be \$64.00 for residential service.

Comparative Water District Tax Rates

A combined projected tax rate of \$1.01 per \$100 assessed valuation, as indicated above, for 100% financing for the proposed District is comparable to other districts in the area. Each particular bond issue will be evaluated based on its own economic feasibility merits and the rules and regulations in place at the time prior to the issuance of any bonds by the District.

E. SPECIAL CONSIDERATION

Request for Road Powers

A request for approval of road powers was included in the petition for creation of the proposed District. Pursuant to TWC Section 54.234, approval of road powers may be requested at the time of creation. The engineering report provided with the application included a summary of

the estimated costs. The proposed roads appear to benefit the proposed District, and financing appears feasible.

F. CONCLUSIONS

1. Based on TCEQ policy, compliance with TCEQ rules, and review of the engineering report and supporting documents, the proposed District is considered feasible, practicable, a benefit to the land within the proposed District, and necessary as a means to finance utilities and to provide utility service to future customers.
2. Based on a review of the preliminary engineering report; market study; the proposed District's water, wastewater, drainage facilities and roads; a combined projected tax rate of \$1.01 per \$100 AV when assuming 100% financing; the proposed District obtaining a 5.0% bond coupon interest rate; and other supporting data the proposed District is considered feasible under the feasibility limits prescribed by 30 TAC Section 293.59.
3. The recommendations are made under authority delegated by the Executive Director of the TCEQ.

G. RECOMMENDATIONS

1. Grant the petition for creation of Johnson County Municipal Utility District No. 2.
2. Grant the District's request to acquire road powers in accordance with TWC Section 54.234 and 30 TAC Sections 293.11(d)(11), 293.201, and 293.202 subject to the requirement imposed by the TCEQ and the general laws of the state relating to the exercise of such powers.
3. The Order granting the petition should include the following statements:

"This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the TCEQ in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for TCEQ consideration."

4. Appoint the following five persons to serve as temporary directors until permanent directors are elected and qualified:

Aaron Mabry

Carrie Mendez

Deshell Fennell

Lorraine Stacy

Patrical McNeary

H. ADDITIONAL INFORMATION

The Petitioner's professional representatives are:

Attorney: Ms. Mindy Koehne - Coats Rose, PC

Creation Engineer: Mr. Alex S. Pfefferkorn, P.E - Quiddity Engineering, LLC