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(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

NEW ISSUE - Book-Entry-Only

PRELIMINARY OFFICIAL STATEMENT

Dated April 5, 2024

Ratings:
S&P: "AA+"
(See "OTHER INFORMATION - RATINGS" herein)

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes and interest on the Certificates is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

\$46,950,000*
CITY OF MANVEL, TEXAS
(Brazoria County)
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024

Dated Date: April 30, 2024

Due: February 15, as shown below

Interest Accrues from: May 2, 2024 ("Delivery Date")

PAYMENT TERMS . . . Interest on the \$46,950,000* City of Manvel, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") will accrue from the date of initial delivery, expected May 2, 2024, to the purchaser thereof (the "Delivery Date") and will be payable August 15 and February 15 of each year commencing August 15, 2024, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wilmington Trust, N.A. (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Manvel, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$2,500) of surplus net revenues of the City's Waterworks and Wastewater System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Certificates will be used (1) for the purpose of evidencing the indebtedness of the City to pay all or any part of the contractual obligations incurred for the design and construction of wastewater regional facilities, streets, and sidewalk improvements, as well as other improvements, including without limitation, related drainage and ancillary facilities, and (2) for professional services.

MATURITY SCHEDULE

See page 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on page 2 hereof are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser(s) and subject to the approving opinion of the Attorney General of Texas and the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas.

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on May 2, 2024.

BIDS DUE MONDAY, APRIL 15, 2024, AT 10:45 A.M., CST

* Preliminary, subject to change.

\$46,950,000*
CITY OF MANVEL, TEXAS
(Brazoria County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

MATURITY SCHEDULE

CUSIP PREFIX: 56501M ⁽²⁾

<u>Principal Amount*</u>	<u>Maturity 2-15</u>	<u>Interest Rate</u>	<u>Price or Yield ⁽¹⁾</u>	<u>CUSIP Suffix ⁽²⁾</u>	<u>Principal Amount*</u>	<u>Maturity 2-15</u>	<u>Interest Rate</u>	<u>Price or Yield ⁽¹⁾</u>	<u>CUSIP Suffix ⁽²⁾</u>
\$ 450,000	2027				\$ 1,710,000	2041 ⁽³⁾			
890,000	2028				1,795,000	2042 ⁽³⁾			
940,000	2029				1,890,000	2043 ⁽³⁾			
985,000	2030				1,990,000	2044 ⁽³⁾			
1,040,000	2031				2,090,000	2045 ⁽³⁾			
1,090,000	2032				2,195,000	2046 ⁽³⁾			
1,150,000	2033				2,310,000	2047 ⁽³⁾			
1,205,000	2034 ⁽³⁾				2,425,000	2048 ⁽³⁾			
1,265,000	2035 ⁽³⁾				2,550,000	2049 ⁽³⁾			
1,335,000	2036 ⁽³⁾				2,685,000	2050 ⁽³⁾			
1,405,000	2037 ⁽³⁾				2,820,000	2051 ⁽³⁾			
1,470,000	2038 ⁽³⁾				2,970,000	2052 ⁽³⁾			
1,545,000	2039 ⁽³⁾				3,120,000	2053 ⁽³⁾			
1,630,000	2040 ⁽³⁾								

- (1) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (2) CUSIP numbers have been assigned to the Certificates by the CUSIP Service Bureau and are included solely for the convenience of the beneficial owners of the Certificates. Neither the City nor the Initial Purchaser(s) of the Certificates is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Initial Purchasers, nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (3) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2034, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an official statement of the City with respect to the Certificates that has been "deemed final" by the City as of the date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page, inside cover page and the Appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

Neither the City, Bond Counsel nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the DTC or its book-entry-only system as described under "Book-Entry-Only System" as such information has been provided by DTC.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Purchaser after such Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Certificates into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of hyperlinks solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained herein are not incorporated into and are not part of this official statement for any purposes.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of Manvel is a political subdivision and municipal corporation of the State, located in Brazoria County, Texas. The City covers approximately 27.5 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").
- THE CERTIFICATES** The Certificates are issued as \$46,950,000* Combination Tax and Revenue Certificates of Obligation, Series 2024. The Certificates are issued as serial certificates maturing 2027 through 2053, unless the purchaser designates two or more consecutive maturities as a Term Certificate (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").
- PAYMENT OF INTEREST** Interest on the Certificates accrues from Delivery Date, and is payable August 15, 2024, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").
- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Chapter 1201, Texas Government Code, and an Ordinance passed by the City Council of the City (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").
- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$2,500) of surplus net revenues of the City's Waterworks and Wastewater System (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").
- REDEMPTION** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2034, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION"). Additionally, the Certificates may be subject to mandatory redemption in the event the initial purchaser elected to aggregate one or more maturities as a Term Certificate (see "THE CERTIFICATES - MANDATORY SINKING FUND REDEMPTION").
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be (1) for the purpose of evidencing the indebtedness of the City to pay all or any part of the contractual obligations incurred for the design and construction of wastewater regional facilities, streets, and sidewalk improvements, as well as other improvements, including without limitation, related drainage and ancillary facilities, and (2) for professional services.
- RATINGS** The Certificates and presently outstanding tax supported debt of the City are rated "AA+" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") without regard to credit enhancement (see "OTHER INFORMATION - RATINGS").
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM").
- PAYMENT RECORD** The City has never defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population ⁽¹⁾	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy ⁽³⁾
2020	15,867	\$ 832,631,591	\$ 52,476	\$ 22,755,000	\$ 1,434	2.73%	99.40%
2021	16,382	961,677,432	58,703	21,400,000	1,306	2.23%	100.95%
2022	17,037	1,130,844,842	66,376	20,015,000	1,175	1.77%	100.06%
2023	17,250	1,468,403,602	85,125	51,495,000	2,985	3.51%	100.38%
2024	21,300	2,039,011,622	95,728	96,615,000 ⁽²⁾	4,536	4.74%	98.59% ⁽³⁾

(1) Source: Population estimates are provided by the City. The 2020 estimate came from the 2020 Census.

(2) Projected, includes the Certificates. Preliminary, subject to change.

(3) Collections as of February 29, 2024.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Total Revenue	\$ 12,515,948	\$ 12,015,799	\$ 11,558,551	\$ 3,560,762	\$ 8,642,017
Total Expenditures	12,610,239	11,543,805	8,410,111	7,149,296	7,196,263
Other Sources (Uses)	(450,000)	-	(2,163,847)	(640,751)	(1,085,500)
Beginning Fund Balance	8,439,859	7,967,865	6,983,272	4,371,242 ⁽¹⁾	4,471,438 ⁽¹⁾
Increase (decrease) in Fund Balance	31,719	471,994	984,593	2,612,030	399,804
Ending Fund Balance	<u>\$ 8,471,578</u>	<u>\$ 8,439,859</u>	<u>\$ 7,967,865</u>	<u>\$ 6,983,272</u>	<u>\$ 4,871,242</u>

(1) Restated.

For additional information regarding the City, please contact:

Daniel S. Johnson, P.E., CFM
 City Manager/City Engineer
 City of Manvel
 20025 Highway 6
 Manvel, Texas 77578
 (281) 489-0630

or

Joe Morrow
 Managing Director
 Hilltop Securities Inc.
 700 Milam, Suite 1200
 Houston, Texas 77002
 (713) 651-9850

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Dan Davis	Mayor	2026
Jerome Hudson	Council Member, Place 6/Mayor Pro-Tem	2025
Larry Akery	Council Member, Place 1	2024
David Lands	Council Member, Place 2	2024
Harry Opliger	Council Member, Place 3	2026
Ed Perry	Council Member, Place 4	2025
Crystal Sarmiento	Council Member, Place 5	2026

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Number of Years in Current Position</u>
Daniel S. Johnson, P.E., CFM	City Manager/City Engineer	3 Months ⁽¹⁾
Tammy Bell	City Secretary	20
Rosa Donaire	Finance Director	3 Months ⁽²⁾
Robert Gervais	City Attorney	8

(1) Mr. Johnson has 23 years of municipal experience.

(2) Ms. Donaire has 15 years of municipal experience.

CONSULTANTS AND ADVISORS

Auditors Belt Harris Pechacek LLP
Houston, TX

Bond Counsel Allen Boone Humphries Robinson LLP
Houston, TX

Financial Advisor Hilltop Securities Inc.
Houston, TX

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$46,950,000*
CITY OF MANVEL, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2024

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$46,950,000* City of Manvel, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Houston, Texas.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1961, and first adopted its Home Rule Charter in May of 2011. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is three years with the terms of the Mayor and two of the Councilmembers' terms expiring at the same time and the other terms of two sets of two Councilmembers expiring in consecutive years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 15,867, while the estimated 2024 population is 21,300. The City covers approximately 27.5 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES

The Certificates are dated April 30, 2024 and mature, or are subject to mandatory redemption prior to maturity, on February 15 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15, commencing August 15, 2024. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Chapter 1201, Texas Government Code, and an Ordinance passed by the City Council.

* Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, which tax must be levied within limits prescribed by law. Additionally, the Certificates are payable from and secured by a limited pledge (not to exceed \$2,500) of surplus net revenues of the City's Waterworks and Wastewater System, as provided in the Ordinance authorizing the Certificates.

TAX RATE LIMITATION

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all General Obligation debt service, as calculated at the time of issuance.

OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2034, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed.

If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if two or more consecutive principal amounts designated in the serial maturity schedule on page 2 hereof are combined to create Term Certificates, each such Term Certificate shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Certificate and continuing on February 15 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Certificates to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Certificates then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement Term Certificates of the maturity then subject to redemption which have been purchased and canceled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

The principal amount of Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of Term Certificates of the same maturity which (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

AMENDMENTS

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount or Maturity Amount, as the case may be, of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount or Maturity Amount, as the case may be, thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount or Maturity Amount, as the case may be, of Certificates required to be held by Holders for consent to any such amendment, addition or rescission.

DEFEASANCE

The Ordinance provides that the City may defease or refund the Certificates in any manner provided by law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC") New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges

between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing City ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing City and Fixed Income Clearing City, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

DTC may discontinue providing its services as depository with respect to one or both series of the Certificates at any time by giving reasonable notice to the City or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Certificates, as appropriate, will be printed and delivered.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM

In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is Wilmington Trust, N.A. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES

The Ordinance does not establish specific events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not

uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W.3rd 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

USE OF CERTIFICATE PROCEEDS

Proceeds from the sale of the Certificates will be used (1) for the purpose of evidencing the indebtedness of the City to pay all or any part of the contractual obligations incurred for the design and construction of wastewater regional facilities, streets, and sidewalk improvements, as well as other improvements, including without limitation, related drainage and ancillary facilities, and (2) for professional services.

<u>Sources of Funds:</u>	
Par Amount of Certificates	\$ -
Premium	-
Total:	<u><u>\$ -</u></u>
 <u>Uses of Funds:</u>	
Deposit to Project Fund	\$ -
Costs of Issuance	-
Underwriter's Discount	-
Total:	<u><u>\$ -</u></u>

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TAX INFORMATION

AD VALOREM TAX LAW

The appraisal of property within the City is the responsibility of the Brazoria County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title I of the Texas Tax Code (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit." "Goods in transit" is defined by a provision in the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods in transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods in transit exemptions for items of personal property.

The City and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the revenues on taxable value above the base year value can be captured and used for projects and bonds to benefit the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public fund for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

Rollback of Operation and Maintenance Tax Rate

The following terms as used in this section have the meanings provided below:

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy from the current year's values, plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy from the current year's total taxable values.

"unused increment rate" means the cumulative difference between a city's rollback tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the rollback tax rate.

"rollback tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy from the current year's values multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

Under current law, the qualified voters of the City have the right to petition for a rollback of the City's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the City's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its rollback tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the rollback tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the rollback tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census its and maintenance and operations tax rate proposed for the current tax year exceeds 2.5 cents per \$100 of taxable value, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate and (b) the city's rollback tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the rollback tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its rollback tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and rollback tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and rollback tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$90,000; the disabled are also granted an exemption of \$90,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Brazoria County collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does not tax goods-in-transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

TAX INCREMENT REINVESTMENT ZONES

Article VIII, Section 1-g of the Texas Constitution and the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act") authorize municipalities in the State to establish one or more tax increment financing reinvestment zones for development or redevelopment of the territory within the zones.

The TIF Act provides that the municipality may appoint a board of directors for a tax increment financing reinvestment zone to develop a project plan and financing plan for the zone and may delegate to the board certain management duties relating to the zone. Project costs, including financing costs, within the zone may be paid from tax increments collected by each of the taxing units participating in the zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the unit for that year on the captured appraised value of real property taxable by the unit (the "Captured Appraised Value") and located in the zone. The Captured Appraised Value is the total appraised value of the property for a year, less the tax increment base of the unit. The tax increment base of a taxing unit is the total appraised value of all real property taxable by the unit and located in the zone in the year in which the City created the zone. Participation by a taxing unit in a reinvestment zone is discretionary with such taxing unit, and it may decide to deposit all or none, or a portion, of its tax increments into the fund and retain for its own purposes the remainder. A taxing unit cannot reduce the amount of its participation once the financing plan has been implemented. The City has designated and created one active reinvestment zone. See "APPENDIX B - Excerpts from the City of Manvel, Texas Annual Financial Report for the Year to which it contributed \$782,994 in the fiscal year Ended September 30, 2022 – Note I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – A. Blended Component Units – Tax Increment Reinvestment Zone Number Three" and "IV OTHER INFORMATION – F. TIRZ No. 3 Financing Agreements."

TAX INCREMENT TABLE

TIRZ #3		Tax Year		
		2023	2022	2021
	Captured	\$ 286,625,696	\$ 108,099,285	\$ 3,192,381
	Taxable	\$ 305,904,382	\$ 127,377,971	\$ 51,202,547

CHAPTER 380 AGREEMENTS

The governing body of a municipality may establish and provide for the administration of one or more programs form makings loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. The City has entered into three such agreements. One of the agreements has had development occur and is active. Two of the agreements have not had development occur that would require any future reimbursement. See APPENDIX B - Excerpts from the City of Manvel, Texas Annual Financial Report for the Year Ended September 30, 2023– NOTE IV OTHER INFORMATION – E. Economic Incentive/Development Agreements.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2023/24 Market Valuation Established by Brazoria County Appraisal District (excluding totally exempt property)		\$ 2,630,361,938
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	\$ 211,964,984	
Homestead Cap Adjustment	202,659,172	
Disabled Persons	4,198,147	
Disabled Veterans	102,755,472	
Solar	278,263	
Over 65 Homestead Exemptions	<u>69,494,278</u>	<u>591,350,316</u>
2023/24 Taxable Assessed Valuation		\$ 2,039,011,622
General Obligation Debt (as of December 31, 2023):		
Combination Tax & Revenue Certificates of Obligation	\$ 50,785,000	
General Obligation Bonds	710,000	
The Certificates	<u>46,950,000</u> ⁽¹⁾	\$ 98,445,000
Less: Interest & Sinking Fund Balance (as of September 30, 2023)		<u>\$ 433,353</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		<u><u>\$ 98,011,647</u></u>
Ratio of Net General Obligation Debt to Taxable Assessed Valuation		4.81%

2024 Estimated Population - 21,300
Per Capita Taxable Assessed Valuation - \$95,728
Per Capita Funded Debt - \$4,601

(1) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ending September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,795,861,016	68.27%	\$ 1,213,612,267	68.41%	\$ 838,771,721	62.20%
Real, Residential, Multi-Family	495,627	0.02%	244,250	0.01%	244,170	0.02%
Real, Vacant Lots/Tracts	60,001,595	2.28%	31,801,733	1.79%	22,863,007	1.70%
Real, Acreage (Land Only)	213,125,050	8.10%	122,853,645	6.92%	118,460,016	8.78%
Real, Farm and Ranch Improvements	133,312,600	5.07%	91,293,660	5.15%	86,544,968	6.42%
Real, Commercial and Industrial	184,547,281	7.02%	113,337,519	6.39%	96,802,036	7.18%
Real, Oil, Gas & Other Mineral Reserves	7,451,326	0.28%	4,935,548	0.28%	2,941,508	0.22%
Real and Tangible Personal, Utilities	71,509,910	2.72%	71,807,980	4.05%	69,000,200	5.12%
Tangible Personal, Commercial and Industrial	30,880,820	1.17%	33,675,850	1.90%	31,805,160	2.36%
Tangible Personal, Other	2,363,762	0.09%	1,707,670	0.10%	1,527,390	0.11%
Special Inventory	116,413,211	4.43%	12,684,860	0.71%	11,042,130	0.82%
Real, Inventory	14,399,740	0.55%	76,188,298	4.29%	68,511,595	5.08%
Total Appraised Value Before Exemptions	\$ 2,630,361,938	100.00%	\$ 1,774,143,280	100.00%	\$ 1,348,513,901	100.00%
Less: Total Exemptions/Reductions	591,350,316		305,739,678		217,669,059	
Taxable Assessed Value	<u>\$ 2,039,011,622</u>		<u>\$ 1,468,403,602</u>		<u>\$ 1,130,844,842</u>	

Category	Taxable Appraised Value for Fiscal Year Ending September 30,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 716,574,189	61.53%	\$ 612,494,339	60.86%
Real, Residential, Multi-Family	244,990	0.02%	263,140	0.03%
Real, Vacant Lots/Tracts	24,023,016	2.06%	18,057,237	1.79%
Real, Acreage (Land Only)	121,122,087	10.40%	107,251,307	10.66%
Real, Farm and Ranch Improvements	87,341,109	7.50%	70,757,997	7.03%
Real, Commercial and Industrial	85,529,675	7.34%	74,666,132	7.42%
Real, Oil, Gas & Other Mineral Reserves	6,813,010	0.58%	7,374,356	0.73%
Real and Tangible Personal, Utilities	62,518,000	5.37%	60,729,090	6.03%
Tangible Personal, Commercial and Industrial	28,702,320	2.46%	28,162,580	2.80%
Tangible Personal, Other	1,444,010	0.12%	1,348,050	0.13%
Special Inventory	10,700	0.00%	10,830	0.00%
Real, Inventory	30,335,774	2.60%	25,264,771	2.51%
Total Appraised Value Before Exemptions	\$ 1,164,658,880	100.00%	\$ 1,006,379,829	100.00%
Less: Total Exemptions/Reductions	202,981,448		173,748,238	
Taxable Assessed Value	<u>\$ 961,677,432</u>		<u>\$ 832,631,591</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Brazoria County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2020	15,867	\$ 832,631,591	\$ 52,476	\$ 22,755,000 ⁽³⁾	2.73%	\$1,434
2021	16,382	961,677,432	58,703	21,400,000 ⁽³⁾	2.23%	1,306
2022	17,037	1,130,844,842	66,376	20,015,000 ⁽³⁾	1.77%	1,175
2023	17,250	1,468,403,602	85,125	51,495,000	3.51%	2,985
2024	21,300	2,039,011,622	95,728	96,615,000 ⁽⁴⁾	4.74%	4,536

(1) Source: Population estimate provided by the City. The 2020 estimate came from the 2020 Census.

(2) As reported by the Brazoria County Appraisal District on the annual Report of City Property Value, subject to change during the ensuing year.

(3) Includes self-supporting debt.

(4) Projected, includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2020	\$ 0.640000	\$ 0.420952	\$ 0.219048	\$ 5,336,179	99.05%	99.40%
2021	0.610000	0.400517	0.209483	5,786,713	100.95%	100.95%
2022	0.570000	0.400306	0.169694	6,411,233	99.09%	100.06%
2023	0.570000	0.363225	0.206775	8,339,692	99.32%	100.38%
2024	0.560000	0.352393	0.207607	11,512,248	94.38% ⁽¹⁾	98.59% ⁽¹⁾

(1) Collections as of February 29, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Seaway Crude Pipeline Company	Oil & Gas Pipeline	\$ 42,376,300	2.08%
TOFA LLC	Car Dealership	14,728,500	0.72%
BKCK LTD	Commercial Property	11,537,000	0.57%
Centerpoint Energy	Electric Utility	11,500,930	0.56%
Camillo Houses CV #1	Residential Land	11,342,814	0.56%
GR-M1 LTD	Commercial Property	9,994,480	0.49%
E-Z Line Property	Commercial Property	9,525,000	0.47%
Camillo A-1 Property Owner LLC	Residential Land	8,772,670	0.43%
Shea Homes Houston LLC	Residential Land	8,150,069	0.40%
SS Manvel Highway LLC	Storage Facility	6,063,870	0.30%
		<u>\$ 133,991,633</u>	<u>6.57%</u>

GENERAL OBLIGATION DEBT LIMITATION

A maximum ad valorem tax rate of \$2.50 per \$100 of taxable assessed valuation is imposed on the City under current State law and the City's Home Rule Charter (see "THE CERTIFICATES - TAX RATE LIMITATION"). The Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

TABLE 6 - TAX ADEQUACY

2024 Principal and Interest Requirements.....	\$ 4,501,393 ⁽¹⁾
\$0.2253 Tax Rate at 98% Collection Produces	\$ 4,502,015
Average Principal and Interest Requirements (2024-2053).....	\$ 5,742,933 ⁽¹⁾
\$0.2875 Tax Rate at 98% Collection Produces	\$ 5,744,915
Maximum Principal and Interest Requirements (2029).....	\$ 6,743,712 ⁽¹⁾
\$0.3375 Tax Rate at 98% Collection Produces	\$ 6,744,031

(1) Projected, includes the Certificates. Preliminary, subject to change.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

	Total G.O. Debt as of 12/31/23	Estimated % Applicable	City's Overlapping G.O. Debt 12/31/23
City of Manvel	\$ 98,445,000 ⁽¹⁾	100.00%	\$ 98,445,000 ⁽¹⁾
Alvin CCD	21,940,000	9.62%	2,110,628
Alvin ISD	936,195,000	11.09%	103,824,026
Brazoria Co	207,948,313	2.59%	5,385,861
Brazoria Co MUD # 29	26,045,000	100.00%	26,045,000
Brazoria Co MUD # 43	26,250,000	100.00%	26,250,000
Brazoria Co MUD # 56	34,805,000	100.00%	34,805,000
Brazoria Co MUD # 61	23,475,000	100.00%	23,475,000
Brazoria Co MUD # 66	12,575,000	100.00%	12,575,000
Pearland ISD	357,935,000	0.07%	250,555
Port Freeport	122,980,000	0.07%	86,086
Total Direct and Overlapping Funded Debt			<u>\$ 333,252,155</u>
Ratio of Direct and Overlapping funded Debt to Taxable Assessed Valuation			16.34%
Per Capita Overlapping Funded Debt			\$ 15,646

(1) Includes the Certificates. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ended 9/30	Outstanding Debt Service			The Certificate ⁽¹⁾			Total Outstanding Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2024	\$ 1,830,000	\$ 1,999,747	\$ 3,829,747	\$ -	\$ 671,646	\$ 671,646	\$ 4,501,393	
2025	1,890,000	1,933,912	3,823,912	-	2,347,500	2,347,500	6,171,412	
2026	1,940,000	1,866,542	3,806,542	-	2,347,500	2,347,500	6,154,042	
2027	1,760,000	1,797,555	3,557,555	450,000	2,336,250	2,786,250	6,343,805	
2028	1,820,000	1,730,892	3,550,892	890,000	2,302,750	3,192,750	6,743,642	11.70%
2029	1,885,000	1,661,712	3,546,712	940,000	2,257,000	3,197,000	6,743,712	
2030	1,945,000	1,591,385	3,536,385	985,000	2,208,875	3,193,875	6,730,260	
2031	2,010,000	1,520,310	3,530,310	1,040,000	2,158,250	3,198,250	6,728,560	
2032	2,075,000	1,446,200	3,521,200	1,090,000	2,105,000	3,195,000	6,716,200	
2033	2,150,000	1,368,804	3,518,804	1,150,000	2,049,000	3,199,000	6,717,804	27.48%
2034	2,085,000	1,290,034	3,375,034	1,205,000	1,990,125	3,195,125	6,570,159	
2035	2,160,000	1,209,675	3,369,675	1,265,000	1,928,375	3,193,375	6,563,050	
2036	2,235,000	1,125,794	3,360,794	1,335,000	1,863,375	3,198,375	6,559,169	
2037	2,085,000	1,041,247	3,126,247	1,405,000	1,794,875	3,199,875	6,326,122	
2038	2,170,000	955,412	3,125,412	1,470,000	1,723,000	3,193,000	6,318,412	45.52%
2039	1,340,000	881,331	2,221,331	1,545,000	1,647,625	3,192,625	5,413,956	
2040	1,405,000	819,456	2,224,456	1,630,000	1,568,250	3,198,250	5,422,706	
2041	1,245,000	757,456	2,002,456	1,710,000	1,484,750	3,194,750	5,197,206	
2042	1,295,000	707,656	2,002,656	1,795,000	1,397,125	3,192,125	5,194,781	58.02%
2043	1,345,000	655,856	2,000,856	1,890,000	1,305,000	3,195,000	5,195,856	
2044	1,400,000	602,056	2,002,056	1,990,000	1,208,000	3,198,000	5,200,056	
2045	1,455,000	546,056	2,001,056	2,090,000	1,106,000	3,196,000	5,197,056	
2046	1,515,000	487,856	2,002,856	2,195,000	998,875	3,193,875	5,196,731	
2047	1,575,000	427,256	2,002,256	2,310,000	886,250	3,196,250	5,198,506	76.61%
2048	1,635,000	364,256	1,999,256	2,425,000	767,875	3,192,875	5,192,131	
2049	1,705,000	298,856	2,003,856	2,550,000	643,500	3,193,500	5,197,356	
2050	1,775,000	228,525	2,003,525	2,685,000	512,625	3,197,625	5,201,150	
2051	1,845,000	155,306	2,000,306	2,820,000	375,000	3,195,000	5,195,306	
2052	1,920,000	79,200	1,999,200	2,970,000	230,250	3,200,250	5,199,450	96.83%
2053				3,120,000	78,000	3,198,000	3,198,000	100.00%
	<u>\$ 51,495,000</u>	<u>\$ 29,550,349</u>	<u>\$ 81,045,349</u>	<u>\$ 46,950,000</u>	<u>\$ 44,292,646</u>	<u>\$ 91,242,646</u>	<u>\$ 172,287,995</u>	

(1) Interest on the Certificates has been estimated for the purpose of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2024		\$ 4,501,393 ⁽¹⁾
Budgeted Interest and Sinking Fund, 9/30/2023	\$ 433,353	
Budgeted Interest and Sinking Fund Tax Collections	3,785,248	
Manvel EDC Transfer	1,000,000	
Budgeted Delinquent Taxes, Penalties and Interest	40,000	
Budgeted Interest Income	<u>7,500</u>	<u>5,266,101</u>
Budgeted Estimated Balance, 9/30/2024		<u>\$ 764,708</u>

(1) Includes the Certificates. Preliminary, subject to change.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

The City currently has no self-supporting debt.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The City does not anticipate the issuance of additional general obligation debt within the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

No other obligations at this time.

PENSION FUND

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note IV. OTHER INFORMATION – C. Pension Plan.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase Supplemental Death Benefits insurance from the group term-life program operated by TMRS.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

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FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 4,030,062	\$ 4,863,237	\$ 5,621,411	\$ 4,092,787	\$ 3,386,848
Operating Grants & Contributions	2,171	-	1,927	745,380	107,369
Capital Grants & Contributions	-	-	-	-	-
General Revenues:					
Property Taxes	8,510,353	6,496,144	5,895,113	5,446,299	5,150,900
Sales Tax	2,471,754	2,218,512	2,261,651	1,885,016	1,666,969
Franchise and Local Taxes	860,435	709,416	665,263	636,098	668,718
Investment Revenue	2,010,475	188,428	16,900	234,148	494,453
Other Revenues	24,933	117,303	136,076	71,031	268,758
Total Revenues	<u>\$ 17,910,183</u>	<u>\$ 14,593,040</u>	<u>\$ 14,598,341</u>	<u>\$ 13,110,759</u>	<u>\$ 11,744,015</u>
Expenditures:					
General Administration	\$ 5,217,693	\$ 4,355,799	\$ 3,134,636	\$ 1,881,713	\$ 2,511,525
Public Safety	4,846,541	4,380,747	3,426,811	3,270,798	2,965,886
Public Works	2,308,250	1,992,306	1,788,544	1,152,094	1,910,204
Information Technology	507,310	542,234	370,015	302,780	-
Library, Parks and Recreation	93,327	89,761	82,759	90,050	84,113
Interest on Long-Term Debt	1,545,640	587,771	626,341	710,976	629,435
Total Expenditures	<u>\$ 14,518,761</u>	<u>\$ 11,948,618</u>	<u>\$ 9,429,106</u>	<u>\$ 7,408,411</u>	<u>\$ 8,101,163</u>
Change in Net Assets Before Transfer	3,391,422	2,644,422	5,169,235	5,702,348	3,642,852
Gain (Loss) on Sale of Capital Assets		-	-	19,000	17,299
Transfers	<u>(1,500,348)</u>	<u>(2,910,231)</u>	<u>(772,068)</u>	<u>(729,201)</u>	<u>(826,706)</u>
Change in Net Assets After Transfer	<u>\$ 1,891,074</u>	<u>\$ (265,809)</u>	<u>\$ 4,397,167</u>	<u>\$ 4,992,147</u>	<u>\$ 2,833,445</u>
Net Assets - Beginning	<u>19,651,087</u>	<u>19,916,896</u>	<u>15,519,729</u>	<u>10,527,582</u>	<u>7,694,137</u> ⁽¹⁾
Net Assets - End	<u><u>\$ 21,542,161</u></u>	<u><u>\$ 19,651,087</u></u>	<u><u>\$ 19,916,896</u></u>	<u><u>\$ 15,519,729</u></u>	<u><u>\$ 10,527,582</u></u>

(1) Restated.

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TABLE 13 -A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Property Taxes	\$ 4,758,544	\$ 4,401,665	\$ 3,810,079	\$ 3,560,762	\$ 3,159,141
Sales Tax	2,436,647	2,178,857	2,227,258	1,878,274	1,660,254
Other Taxes	765,361	624,095	575,113	589,448	586,215
Charges for Services	12,588	44,144	-	-	-
Licenses and Permits	3,658,839	4,483,832	4,604,081	3,303,133	2,614,049
Fines and Forfeitures	239,953	167,537	234,194	280,838	243,179
Intergovernmental	2,171	-	1,927	656,041	14,710
Investment Earnings	616,912	88,365	5,966	62,550	106,036
Other Revenues	24,933	27,304	99,933	71,031	258,433
Total Revenues	<u>\$ 12,515,948</u>	<u>\$ 12,015,799</u>	<u>\$ 11,558,551</u>	<u>\$ 10,402,077</u>	<u>\$ 8,642,017</u>
Expenditures:					
General Government	\$ 5,148,591	\$ 3,995,985	\$ 2,907,637	\$ 2,605,569	\$ 2,643,368
Public Safety	4,843,573	4,790,872	3,468,432	3,218,197	2,941,453
Public Works	2,017,438	1,842,151	1,587,913	951,318	1,527,329
Library, Parks and Recreation	93,327	287,652	82,759	80,915	84,113
Information Technology	507,310	89,761	363,370	293,297	-
Economic Development	-	537,384	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>\$ 12,610,239</u>	<u>\$ 11,543,805</u>	<u>\$ 8,410,111</u>	<u>\$ 7,149,296</u>	<u>\$ 7,196,263</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (94,291)</u>	<u>\$ 471,994</u>	<u>\$ 3,148,440</u>	<u>\$ 3,252,781</u>	<u>\$ 1,445,754</u>
Transfers Out	\$ (450,000)	\$ -	\$ (2,163,847)	\$ (640,751)	\$ (1,085,500)
Transfers In	576,010	-	-	-	-
Sale of Capital Assets	-	-	-	-	39,550
Total Other Sources (Uses)	<u>\$ 126,010</u>	<u>\$ -</u>	<u>\$ (2,163,847)</u>	<u>\$ (640,751)</u>	<u>\$ (1,045,950)</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	<u>\$ 31,719</u>	<u>\$ 471,994</u>	<u>\$ 984,593</u>	<u>\$ 2,612,030</u>	<u>\$ 399,804</u>
Fund Balance, Beginning of Year	8,439,859	7,967,865	6,983,272	4,371,242 ⁽¹⁾	4,471,438 ⁽¹⁾
Fund Balance, End of Year	<u><u>\$ 8,471,578</u></u>	<u><u>\$ 8,439,859</u></u>	<u><u>\$ 7,967,865</u></u>	<u><u>\$ 6,983,272</u></u>	<u><u>\$ 4,871,242</u></u>

(1) Restated.

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for economic development. The sales tax for economic development is collected solely for the benefit of the Manvel Economic Development Corporation (the "Corporation") and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

<u>Fiscal Year</u> <u>Ended 9/30</u>	<u>Total</u> <u>Collected</u>	<u>% of</u> <u>Ad Valorem</u> <u>Tax Levy</u>	<u>Equivalent of</u> <u>Ad Valorem</u> <u>Tax Rate</u>	<u>Per</u> <u>Capita</u>
2019	\$ 1,666,969	32.90%	\$ 0.23	\$ 124
2020	1,885,016	35.33%	0.23	119
2021	2,261,651	39.08%	0.24	138
2022	2,218,512	34.60%	0.20	130
2023	2,471,754	29.64%	0.17	143

The sales tax breakdown for the City is as follows:

Brazoria County	1/2¢
Economic and Community Develo	1/2¢
City Sales & Use Tax	1¢
State Sales & Use Tax	<u>6 1/4¢</u>
Total	8 1/4¢

CAPITAL IMPROVEMENT PROGRAM

The City annually updates a capital improvement program ("CIP") that is adopted a formally as part of the budget process. The CIP is a brief synopsis with a five-year schedule of projects that is matched to available resources. Projects are included that exceed \$10,000 in cost and have a useful life of ten years or more.

FINANCIAL POLICIES

Basis of Accounting . . . The financial statements of the City are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The basic financial statements for the City include all activities, organizations and functions for which the City is financially accountable. The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34.

General Fund Balance . . . The City has a policy of maintaining the General Fund Balance at a level between 15 and 25 percent of estimated revenues with a target of 20 percent to assure adequate reserve for emergencies.

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the payment of interest and principal on all general obligation debts of the City. The primary source of revenue for the debt service fund is property taxes.

Budgetary Procedures . . . The City begins the budget process at the department level in May of each year. The departments submit budget workbooks back to the Director of Finance where they are compiled and submitted to the City Manager. After review and comment a proposed budget is submitted to City Council. The City Council holds public hearings and adopts a budget prior to September 30 of each year.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

LEGAL INVESTMENTS

Available City funds are invested as authorized by State law and in accordance with investment policies approved by the City. Both state law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates issued by, or invested by an investing entity through, a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured as required by, or otherwise meet the requirements of, the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended); (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the governmental body or a third party designated by the governmental body; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City.

ADDITIONAL PROVISIONS

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City ; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of January 31, 2024, the City's investable funds were invested in the following categories:

Description	Percent of Total	Book Value
Texpool	2.58%	\$ 2,059,957
TexSTAR	13.33%	10,664,527
LOGIC	78.22%	62,565,938
Checking	5.87%	4,699,062
Total	<u>100.00%</u>	<u>\$ 79,989,484</u>

LEGAL MATTERS

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that interest on the Certificates is excludable from gross income for federal income tax purposes, under existing law, and interest on the Certificates is not subject to the alternative minimum tax on individuals however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes, and interest on the Certificates is not subject to the alternative minimum tax on individuals however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that they will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Certificates for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Purchaser, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Certificates could become taxable from the date of delivery of the Certificates, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Certificates, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Certificates are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Certificates.

Prospective purchasers of the Certificates should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty

insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the owners of the Certificates may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT CERTIFICATES

The issue price of certain of the Certificates (the "Original Issue Discount Certificates") may be less than the stated redemption price at maturity. In such case, under existing law and based upon the assumptions hereinafter stated (a) The difference between (i) the stated amount payable at the maturity of each Original Issue Discount Certificate and (ii) the issue price of such Original Issue Discount Certificate constitutes original issue discount with respect to such Original Issue Discount Certificate in the hands of any owner who has purchased such Original Issue Discount Certificate at the initial public offering price in the initial public offering of the Certificates; and (b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Certificate continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such certificate was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Certificates under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Certificate held by an owner who purchased such Certificate at the initial offering price in the initial public offering of the Certificates, and should be considered in connection with the discussion in this portion of the Preliminary Official Statement.)

The foregoing is based on the assumptions that (a) the Purchaser has purchased the Certificates for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Certificates have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Preliminary Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Certificates to the general public are equal to the fair market value thereof. Neither the City nor Bond Counsel warrants that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Certificate for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount

accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Certificate.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Certificates.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS

The City will provide annually to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), within six months after the end of each fiscal year ending in or after September 30, 2024, financial information and operating data with respect to the City of the general type included in this Official Statement being the information included in Tables 1 through 6 and Tables 8 through 15, and in Appendix B. Any financial statements so to be provided will be (1) prepared in accordance with the accounting principles set forth in Appendix B to the Official Statement, or as may otherwise hereafter be established consistent with Texas law and Generally Accepted Accounting Principles, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City will provide audited financial statements for the applicable fiscal year to the MSRB through EMMA, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within the above-described six-month period.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the United States Securities and Exchange Commission (the "SEC"), or may be provided in any other manner consistent with SEC Rule 15c2 12 (the "Rule").

EVENT NOTICES

The City will notify the MSRB through EMMA of any of the following events with respect to the Certificates in a timely manner, and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to rights of Holders of the Certificates, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates; if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City, or other obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and the words used in clauses (15) and (16) in the immediately preceding paragraphs and in the definition of Financial Obligation have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term material when used in this paragraph shall have the meaning ascribed to it under federal securities laws.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data by the time required in accordance with its agreement under "Annual Reports".

AVAILABILITY OF INFORMATION FROM MSRB

The City has agreed to provide the foregoing information only to the MSRB. The MSRB has made the information available to the public without charge through EMMA at www.emma.msrb.org.

LIMITATIONS, DISCLAIMERS, AND AMENDMENTS

The City will be obligated to observe and perform its continuing disclosure covenants while it remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any Certificate calls and defeasance that cause the City to be no longer such an "obligated person".

The provisions of this Article are for the sole benefit of the Holders and beneficial owners of the Certificates, and nothing, express or implied, will give any benefit or any legal or equitable right, remedy, or claim hereunder to any

other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the City or the State of Texas or hereby undertake to update any information except as expressly provided. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES WILL THE CITY BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH WILL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations will constitute a breach of or default.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an purchaser to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Purchasers from lawfully purchasing the Certificates.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12 with the exception of the following occurrence: It appears the City failed to make a principal and interest payment on August 15, 2023. A material event notice was posted in that regard on August 24, 2023.

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OTHER INFORMATION

RATINGS

The Certificates and presently outstanding tax supported debt of the City are rated "AA+" by S&P. An explanation of the significance of such rating may be obtained from S&P. The rating reflect only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

POTENTIAL FOR GULF STORM IMPACTS

The City is located near the Gulf Coast area. All of the U.S. Gulf Coast is subject to hurricanes, tropical storms and other weather events that can cause the loss of life and damage to property through weather events that include strong winds, storm surges, flooding and heavy rains. As has been seen in recent hurricanes that have landed along the U.S. Gulf Coast, such weather events can cause substantial interruption of business activity. In the event of a severe storm in the vicinity of the City, the City could experience reduced business activity for a prolonged period, which would adversely affect the receipts of service fees and revenues and possibly its ability to pay contractual commitments and debt obligations. As a result of the damage caused by the hurricanes, the City has had to make significant repairs and replacements to its systems. The costs for most of the system repairs have been paid from insurance proceeds or federal relief funds. Additional hurricanes striking the area of the City in the future could result in decreases in population, taxable assessed valuations and require additional system repairs.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency (including TEA) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities.

Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

CYBER SECURITY

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. The City has 4 positions devoted to Information Technology. While the City continually assesses and monitors its cybersecurity risks, the city has been (and may be in the future) subject to cyber-attacks from time to time. The City regularly monitors its systems and devices to assess and respond to any cyber-attack to minimize the disruption to City services; it regularly obtains technology improvements to mitigate cybersecurity risks; it has in place cybersecurity training programs for its personnel and it takes other actions it deems appropriate to prepare for and address cybersecurity risks. No assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. There have been no recent cyber security incidents.

ENVIRONMENTAL REGULATIONS

Wastewater treatment, water supply, storm sewer facilities and construction activities within the City are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipality for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the City. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the City.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area") - Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties - has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipalities, including the City, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipality that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipalities must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipality must comply may have an impact on the municipality's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The City was not subject to the MS4 permit because of its small population size, but due to population growth may be subject to the 2024 MS4 Permit. The City is currently evaluating the applicability of the MS4 Permit to the City. If the City is required to be included in the MS4 Permit, the City could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff to comply with the MS4 Permit.

Operations of municipalities, including the City, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The City must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipalities, including the City, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

CHANGES IN TAX LEGISLATION

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

The Purchaser has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$_____, (representing the principal amount of the Certificates, plus a [net] original issue premium of \$_____, less an underwriting discount of \$_____). The Purchaser will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Purchaser and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be

taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Purchaser.

/s/
Mayor
City of Manvel, Texas

ATTEST:

/s/
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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GENERAL INFORMATION REGARDING THE CITY

The City is located in the southeast quadrant of the State of Texas, in the northern portion of Brazoria County at the intersection of State Highway 288 and State Highway 6. The City encompasses 27.5 square miles and is located approximately 20 miles south of downtown Houston. Manvel is one of the largest cities in land size in the Houston area with more than 40 square miles inside the city limits and extraterritorial jurisdiction (ETJ).

POPULATION

Estimated Population 2020	Estimated Population 2021	Estimated Population 2022	Estimated Population 2023	Estimated Population 2024
15,867	16,382	17,037	17,250	21,300

MANAGEMENT OF THE CITY

The City of Manvel was incorporated in 1961 and adopted a "Home Rule Charter" on May 14, 2011. The Charter provides for a "Council- Manager" form of city government.

The mayor and six councilmembers are elected to serve three-year terms. The City Manager acts as the chief administrative officer, overseeing departmental operations and implementing the policies and directives of the City Council.

The City provides a number of services including: water, sanitary sewer collection and treatment, gas service, police (eight patrol officers, two patrol supervisors, and one reserve officer), fire (Fire Chief and Assistant Fire Chief who oversee two stations, 21 active firefighters, and a Fire Marshall), and maintaining streets and drainage, municipal court, and parks.

TRANSPORTATION AND UTILITIES

Manvel is served by BNSF Railway. Commercial air service is afforded by Houston Hobby Airport, approximately 22 miles from the City, and private airport Wolf Airport, located within the City. Texas Highway 6 runs through the City approximately 5 miles and Texas Highway 288 runs through the City approximately 3 miles.

Electricity is supplied by CenterPoint and natural gas by CenterPoint Gas.

CITY FACILITIES

The City facilities consist of the City Hall, the Police and Fire Stations, and the Manvel Public Library. The City of Manvel and the Manvel Parks and Recreation Board are beginning the process of developing the first Manvel Parks and Trails Master Plan. The Parks Master Plan will form the framework for parks, recreation, open space, and trails throughout the Manvel community. Presently, the City operates two parks. Croix Park provides residents with opportunities for soccer, picnics, and includes ornamental garden space on the west side of 288. A second park is located adjacent to the Police Department on FM1128 and provides a playground with greenspace.

AREA ECONOMY

In 2022, Manvel reported a total of 29 commercial permits (new and expansion). Manvel has 24 restaurants, 16 of which are fast food/chain restaurants, 13 shops that car-related and over 130 "service establishments", ranging from gas stations, legal, engineering, and financial services to car washes, beauty/barber shops, and concrete production and hauling.

BRAZORIA COUNTY

Brazoria County, within which the City is located, covers an area of 1,386.8 square miles and comprises the Brazoria Primary Metropolitan Statistical Area, a component of the Houston Statistical Metropolitan Area. The Census population of the County is 379,689 as of the 2021 Census estimate. Manufacturers' shipments were over 31 billion in 2007. The world's largest basic chemical complex is located in the County, contributing to the extensive petroleum and chemical production in the area. The Dow Chemical Plant employs 3,900 people (The Economic Development Alliance for Brazoria County).

LABOR STATISTICS

	Average Annual				
	2024 ⁽¹⁾	2023	2022	2021	2020
<u>Brazoria County</u>					
Civilian Labor Force	193,351	190,151	184,468	181,069	178,396
Total Employment	184,425	181,815	176,132	168,804	163,055
Unemployed	8,926	8,336	8,336	12,265	15,341
Percent of Unemployed	4.6%	4.4%	4.5%	6.8%	8.6%
<u>State of Texas</u>					
Civilian Labor Force	15,169,176	15,067,153	14,662,558	14,311,029	13,955,332
Total Employment	14,578,715	14,472,524	14,092,833	13,503,671	12,883,803
Unemployed	590,461	594,629	569,725	807,358	1,071,529
Percent of Unemployed	3.9%	3.9%	3.9%	5.6%	7.7%

(1) As of February 2024.

TOP TEN EMPLOYERS

Following are the top ten employers in Manvel:

<u>Company</u>	<u>Type</u>	<u>Estimated Employees</u>
Alvin Independent School District	Education	600
HEB	Grocery Store	200
Fagioli	Transportation	150
EZ Line	Pipe Supplier	150
Keating Toyota	Car Dealership	100
Pro Build	Building Materials	100
Redman Communications	Communications Contractor	100
New Hope Church	Church	75
Southfork CJDR	Building Materials	75
McDonalds	Food Service	50

SCHOOL FACILITIES

The City is in the Alvin Independent School District, which operates nineteen elementary schools, eight junior high school, four high schools, two Career and Technical Education Facility, and one behavior alternative school. Four of the elementary schools, two junior high schools, and one high school, and the Career and Technical Education Facility are located within the boundaries of the City.

The Alvin Community College District, which encompasses the City of Manvel, was established in 1948. The college offers Associate of Arts, Sciences, and Applied Science degrees, and Certificate Programs are offered in child development, communications, computer technology, automotive technology, criminal justice, culinary arts, emergency medical technology, industrial design technology, management, nursing, paralegal, and pharmacy technology, as well as several others. The college is fully accredited by the Southern Association of Colleges and Schools Commissions on Colleges to award associate degrees and certificates.

APPENDIX B

EXCERPTS FROM THE
CITY OF MANVEL, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Manvel, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Manvel, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Manvel, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and total other postemployment benefits liability and related ratios, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 11, 2024

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

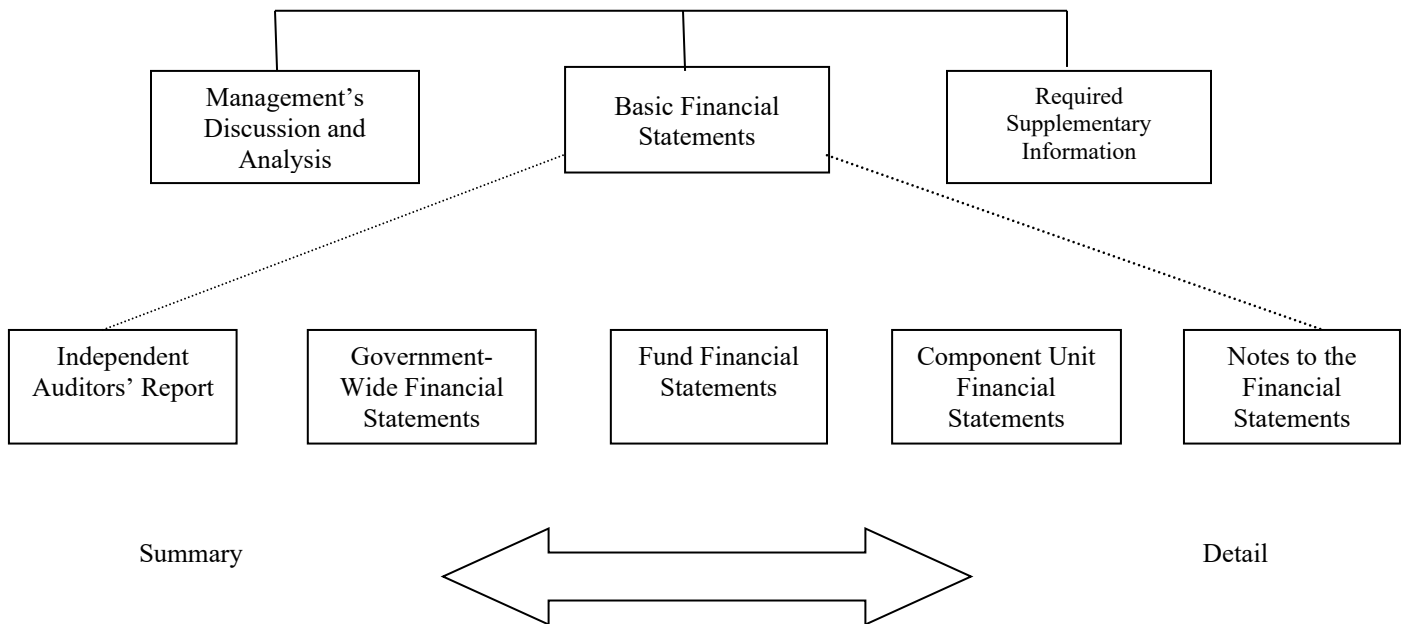
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CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Manvel, Texas (the "City") for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government; public safety; public works; municipal court; information technology; and library, parks, and recreation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 14 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds for reporting purposes.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

The City adopts an annual appropriated budget for its general fund, debt service fund, hotel taxes fund, court security fund, court technology fund, TIRZ No. 3 fund, South Manvel Development Authority fund, community impact fund, law enforcement fund, park fund, the public education government (PEG) fees fund, municipal jury fund, and truancy prevention fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds

The City maintains two types of proprietary funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution and wastewater collection/treatment. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations. The proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for vehicle and equipment replacement costs. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$38,118,037 as of year end for the primary government. A portion of the City's net position, 59%, reflects its investments in capital assets (e.g., land, buildings, equipment, streets, and drainage systems) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental		Business-Type		Reconciliation		Reconciled	
	Activities		Activities				Total	Primary
	2023	2022	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 61,915,111	\$ 27,898,118	\$ 1,564,784	\$ 1,126,464	\$ -	\$ -	\$ 63,479,895	\$ 29,024,582
Capital assets, net	20,842,353	19,713,314	15,302,758	14,032,960	-	-	36,145,111	33,746,274
Total Assets	82,757,464	47,611,432	16,867,542	15,159,424	-	-	99,625,006	62,770,856
Deferred charge on refunding	4,075	5,433	-	-	-	-	4,075	5,433
Deferred outflows - pensions	811,939	455,707	61,223	20,515	-	-	873,162	476,222
Deferred outflows - OPEB	27,226	32,399	-	-	-	-	27,226	32,399
Total Deferred Outflows of Resources	843,240	493,539	61,223	20,515	-	-	904,463	514,054
Long-term liabilities	55,389,971	21,666,020	108,728	22,934	-	-	55,498,699	21,688,954
Other liabilities	6,522,597	6,380,129	237,246	252,899	-	-	6,759,843	6,633,028
Total Liabilities	61,912,568	28,046,149	345,974	275,833	-	-	62,258,542	28,321,982
Deferred inflows - pensions	91,706	397,653	6,915	23,024	-	-	98,621	420,677
Deferred inflows - OPEB	54,269	10,082	-	-	-	-	54,269	10,082
Total Deferred Inflows of Resources	145,975	407,735	6,915	23,024	-	-	152,890	430,759
Net Position:								
Net investment in capital assets	9,616,479	8,603,733	15,302,758	14,032,960	(2,528,927)	(3,381,987)	22,390,310	19,254,706
Restricted	6,105,067	6,445,693	-	-	-	-	6,105,067	6,445,693
Unrestricted	5,820,615	4,601,661	1,273,118	848,122	2,528,927	3,381,987	9,622,660	8,831,770
Total Net Position	\$ 21,542,161	\$ 19,651,087	\$ 16,575,876	\$ 14,881,082	\$ -	\$ -	\$ 38,118,037	\$ 34,532,169

A portion of the primary government's net position, \$6,105,067, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,622,660, may be used to meet the City's ongoing obligation to citizens and creditors.

Net position increased by \$3,585,868 compared to the prior year. Total current fiscal year assets increased by \$36,854,150 from the prior fiscal year. This increase in total assets includes an increase in capital assets of \$2,398,837 and an increase in current and other assets of \$34,455,313, which was primarily due to proceeds from debt issuances that were unspent at the end of the fiscal year. Total liabilities increased by \$33,936,560 from the prior year, which was primarily due to the issuance of debt. There was an increase in deferred outflows of resources and a decrease in deferred inflows of resources, which was primarily due to the change in deferred outflows and inflows that are related to the City's net pension liability.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 4,030,062	\$ 4,863,237	\$ 2,011,611	\$ 1,648,816	\$ 6,041,673	\$ 6,512,053
Operating grants and contributions	306,527	-	-	-	306,527	-
General revenues:						
Property taxes	8,510,353	6,496,144	-	-	8,510,353	6,496,144
Sales taxes	2,471,754	2,218,512	-	-	2,471,754	2,218,512
Other taxes and fees	860,435	709,416	-	-	860,435	709,416
Investment earnings	2,010,475	188,428	-	-	2,010,475	188,428
Other revenues	24,933	117,303	-	-	24,933	117,303
Total Revenues	<u>18,214,539</u>	<u>14,593,040</u>	<u>2,011,611</u>	<u>1,648,816</u>	<u>20,226,150</u>	<u>16,241,856</u>
Expenses						
General government	5,217,693	4,355,799	-	-	5,217,693	4,355,799
Public safety	4,846,541	4,380,747	-	-	4,846,541	4,380,747
Public works	2,612,606	1,992,306	-	-	2,612,606	1,992,306
Library, parks, and recreation	93,327	89,761	-	-	93,327	89,761
Information technology	507,310	542,234	-	-	507,310	542,234
Interest and fiscal agent fees on long-term debt	1,545,640	587,771	-	-	1,545,640	587,771
Water and sewer	-	-	1,817,165	1,685,774	1,817,165	1,685,774
Total Expenses	<u>14,823,117</u>	<u>11,948,618</u>	<u>1,817,165</u>	<u>1,685,774</u>	<u>16,640,282</u>	<u>13,634,392</u>
Increase (Decrease) in Net Position Before Transfers	3,391,422	2,644,422	194,446	(36,958)	3,585,868	2,607,464
Transfers in (out)	(1,500,348)	(2,910,231)	1,500,348	2,910,231	-	-
Change in Net Position	1,891,074	(265,809)	1,694,794	2,873,273	3,585,868	2,607,464
Beginning net position	19,651,087	19,916,896	14,881,082	12,007,809	34,532,169	31,924,705
Ending Net Position	<u>\$ 21,542,161</u>	<u>\$ 19,651,087</u>	<u>\$ 16,575,876</u>	<u>\$ 14,881,082</u>	<u>\$ 38,118,037</u>	<u>\$ 34,532,169</u>

For the year ended September 30, 2023, revenues from governmental activities totaled \$18,214,539. Current fiscal year revenues increased by \$3,621,499. The net change in revenues included a significant increase in property tax revenues of \$2,014,209 due to an increase in the assessed values of properties within the City and an increase in investment earnings of \$1,822,047 due to higher interest rates earned on investments. The net increase in revenues also includes a significant decrease in revenues for charges for services of \$833,175 primarily due to less revenues received for permits.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

For the year ended September 30, 2023, expenses for governmental activities totaled \$14,823,117. Total expenses increased \$2,874,499 compared to the prior year, which can be attributed primarily to increases in personnel costs and interests expense from debt.

Business-type activities net position increased by \$1,694,794. Current year revenues increased \$362,795 compared to the prior year mainly due to an increase in total billings related to an increase in utility billing rates. Current year expenses increased by \$131,391 primarily due to an increase in costs related to maintenance on the water and wastewater infrastructure.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$54,818,645. Of this, \$433,354 is restricted for debt service, \$1,110,758 is restricted by enabling legislation, \$1,014,928 is restricted for a tax increment reinvestment zone, \$43,577,063 is restricted for capital projects, \$210,964 is restricted for special projects, \$291,798 is committed for road maintenance, \$23,189 is nonspendable in the form of prepaid items, and \$8,156,591 is unassigned.

The general fund had an increase in fund balance of \$31,719. The general fund reported a fund balance of \$8,471,578 at year end. The general fund fund balance makes up approximately 67% of the annual general fund expenditures. Compared to the prior year, revenues increased \$500,149 which was mainly due to an increase in property tax revenues related to an increase in the assessed values of properties within the City along with an increase in property tax rates. Expenditures increased \$1,066,434 compared to the prior year. Expenditures primarily increased due to an increase in personnel cost. The change in general fund balance also included transfers from nonmajor funds of \$576,010 for reimbursement of services for the South Manvel Development Authority and transfers to the capital projects fund of \$450,000.

The debt service fund had a decrease in fund balance of \$2,105, which is due to property tax revenues collected being less than the debt service payments.

The capital projects fund had a fund balance of \$43,577,063, which was an increase of \$33,753,157 compared to the prior year due mainly to an increase from proceeds related to debt issuances.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were less than the final budgeted revenues by a net \$749,998, which is primarily due to less licenses and permits revenues than expected. General fund expenditures were less than the final budget by \$1,020,707 during the year due primarily to positive budget variances in expenditures for general government, public safety, public works, and information technology.

CITY OF MANVEL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2023

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$36,145,111 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$2,398,837 from the prior year.

Major capital asset events during the year included the following:

- Construction in progress for the City's municipal complex of \$646,226
- Purchase of City equipment and vehicles of \$675,777
- Wastewater improvements of \$1,109,896

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total general obligation bonds and certificates of obligation of \$51,495,000. Of this amount, \$710,000 represents general obligation bonds and \$50,785,000 represents certificates of obligation.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Council approved a \$15,228,534 general fund budget for the 2023-2024 fiscal year. The tax rate adopted for the fiscal year 2023-2024 budget will be \$0.56 per \$100 in property valuation, which is a \$0.01 decrease from fiscal year 2022-2023. The budget will raise more revenue from property taxes than last year's budget by approximately \$3,018,875 due to an increase in property values.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Finance Director, City of Manvel, 20025 Highway 6, Manvel, Texas 77578 or by telephone at 281.489.0630.

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BASIC FINANCIAL STATEMENTS

CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

September 30, 2023

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	\$ 17,425,979	\$ 985,182	\$ -	\$ 18,411,161
Receivables, net	1,141,009	392,665	-	1,533,674
Due from other governments	-	4,091	-	4,091
Prepaid items	23,189	-	-	23,189
Restricted assets:				
Cash and investments	43,324,934	182,846	-	43,507,780
Total Current Assets	61,915,111	1,564,784	-	63,479,895
Noncurrent assets:				
Nondepreciable	13,647,289	6,257,492	-	19,904,781
Net depreciable	7,195,064	9,045,266	-	16,240,330
Total Noncurrent Assets	20,842,353	15,302,758	-	36,145,111
Total Assets	82,757,464	16,867,542	-	99,625,006
Deferred Outflows of Resources				
Deferred charge on refunding	4,075	-	-	4,075
Deferred outflows - pensions	811,939	61,223	-	873,162
Deferred outflows - OPEB	27,226	-	-	27,226
Total Deferred Outflows of Resources	843,240	61,223	-	904,463
Liabilities				
Accounts payable and accrued liabilities	866,891	54,400	-	921,291
Customer deposits	-	182,846	-	182,846
Accrued interest payable	252,066	-	-	252,066
Due to component unit	232,464	-	-	232,464
Unearned revenue	5,171,176	-	-	5,171,176
Total Current Liabilities	6,522,597	237,246	-	6,759,843
Noncurrent liabilities:				
Long-term liabilities due within one year	2,038,565	10,216	-	2,048,781
Long-term liabilities due in more than one year	53,351,406	98,512	-	53,449,918
Total Noncurrent Liabilities	55,389,971	108,728	-	55,498,699
Total Liabilities	61,912,568	345,974	-	62,258,542
Deferred Inflows of Resources				
Deferred inflows - pensions	91,706	6,915	-	98,621
Deferred inflows - OPEB	54,269	-	-	54,269
Total Deferred Inflows of Resources	145,975	6,915	-	152,890
Net Position				
Net investment in capital assets	9,616,479	15,302,758	(2,528,927)	22,390,310
Restricted for:				
Debt service	202,238	-	-	202,238
Enabling legislation	1,110,758	-	-	1,110,758
Tax increment reinvestment zone	1,014,928	-	-	1,014,928
Special projects	210,964	-	-	210,964
Capital projects	3,566,179	-	-	3,566,179
Manvel Economic Development Corporation	-	-	-	-
Unrestricted	5,820,615	1,273,118	2,528,927	9,622,660
Total Net Position	\$ 21,542,161	\$ 16,575,876	\$ -	\$ 38,118,037

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 5,217,693	\$ -	\$ -
Public safety	4,846,541	272,548	2,171
Public works	2,612,606	3,757,514	304,356
Library, parks, and recreation	93,327	-	-
Information technology	507,310	-	-
Interest and fiscal agent fees on long-term debt	1,545,640	-	-
Total Governmental Activities	14,823,117	4,030,062	306,527
Business-Type Activities			
Water and sewer	1,817,165	2,011,611	-
Total Business-Type Activities	1,817,165	2,011,611	-
Total Primary Government	\$ 16,640,282	\$ 6,041,673	\$ 306,527
Component Unit			
Manvel Economic Development Corporation	\$ 10,460	\$ -	\$ -
Total Component Unit	\$ 10,460	\$ -	\$ -
General Revenues:			
Taxes			
Property taxes			
Sales taxes			
Other taxes and fees			
Investment earnings			
Other revenues			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
Beginning net position			
Ending Net Position			

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental	Business-Type	Total	Manvel
Activities	Activities		Economic
			Dev. Corp.
\$ (5,217,693)	\$ -	\$ (5,217,693)	\$ -
(4,571,822)	-	(4,571,822)	-
1,449,264	-	1,449,264	-
(93,327)	-	(93,327)	-
(507,310)	-	(507,310)	-
(1,545,640)	-	(1,545,640)	-
(10,486,528)	-	(10,486,528)	-
-	194,446	194,446	-
-	194,446	194,446	-
(10,486,528)	194,446	(10,292,082)	-
-	-	-	(10,460)
-	-	-	(10,460)
8,510,353	-	8,510,353	-
2,471,754	-	2,471,754	1,235,877
860,435	-	860,435	-
2,010,475	-	2,010,475	201,215
24,933	-	24,933	-
(1,500,348)	1,500,348	-	-
12,377,602	1,500,348	13,877,950	1,437,092
1,891,074	1,694,794	3,585,868	1,426,632
19,651,087	14,881,082	34,532,169	4,673,639
\$ 21,542,161	\$ 16,575,876	\$ 38,118,037	\$ 6,100,271

CITY OF MANVEL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 10,676,326	\$ 432,950	\$ 3,250,381	\$ 2,312,858
Restricted cash and cash equivalents	-	-	43,324,934	-
Receivables, net	875,608	21,354	219,565	24,482
Prepaid items	23,189	-	-	-
Total Assets	\$ 11,575,123	\$ 454,304	\$ 46,794,880	\$ 2,337,340
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 788,487	\$ -	\$ 71,916	\$ 690
Unearned revenue	2,025,275	-	3,145,901	-
Due to other governments	232,464	-	-	-
Total Liabilities	3,046,226	-	3,217,817	690
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	57,319	20,950	-	-
Total Deferred Inflows of Resources	57,319	20,950	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	23,189	-	-	-
Restricted for:				
Debt service	-	433,354	-	-
Enabling legislation	-	-	-	1,110,758
Tax increment reinvestment zone	-	-	-	1,014,928
Capital projects	-	-	43,577,063	-
Special projects	-	-	-	210,964
Committed for:				
Road maintenance	291,798	-	-	-
Unassigned	8,156,591	-	-	-
Total Fund Balances	8,471,578	433,354	43,577,063	2,336,650
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,575,123	\$ 454,304	\$ 46,794,880	\$ 2,337,340

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 16,672,515
43,324,934
1,141,009
23,189
\$ 61,161,647

\$ 861,093
5,171,176
232,464
6,264,733

78,269
78,269

23,189

433,354
1,110,758
1,014,928
43,577,063
210,964

291,798
8,156,591
54,818,645

\$ 61,161,647

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CITY OF MANVEL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023

Total fund balances – total governmental funds \$ 54,818,645

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets – nondepreciable	13,647,289
Capital assets – net depreciable	6,443,395

The issuance of long-term debt (e.g., bonds, certificates of obligation, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Deferred charge on refunding	4,075
Accrued interest	(252,066)
Noncurrent liabilities due in one year	(2,038,565)
Noncurrent liabilities due in more than one year	(52,043,105)

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 78,269

An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position. 1,499,335

Some items reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported within governmental funds.

Net pension liability	(1,219,244)
Total OPEB liability	(89,057)
Deferred outflows - pensions	811,939
Deferred outflows - OPEB	27,226
Deferred inflows - pensions	(91,706)
Deferred inflows - OPEB	(54,269)

Net Position of Governmental Activities \$ 21,542,161

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental
Revenues				
Property taxes	\$ 4,758,544	\$ 3,001,726	\$ -	\$ 749,032
Sales taxes	2,436,647	-	-	35,107
Other taxes and fees	765,361	-	-	95,074
Charges for services	12,588	-	-	86,087
Licenses and permits	3,658,839	-	-	-
Fines and forfeitures	239,953	-	-	32,595
Intergovernmental	2,171	-	304,356	-
Investment earnings	616,912	49,374	1,320,384	23,805
Other revenues	24,933	-	-	-
Total Revenues	12,515,948	3,051,100	1,624,740	1,021,700
Expenditures				
Current:				
General government	5,148,591	-	-	74,408
Public safety	4,843,573	-	-	-
Public works	2,017,438	-	-	-
Library, parks, and recreation	93,327	-	-	-
Information technology	507,310	-	-	-
Capital outlay	-	-	3,559,793	-
Debt service:				
Principal	-	2,050,000	-	-
Interest and fiscal charges	-	1,003,205	-	-
Issuance costs	-	-	423,086	-
Total Expenditures	12,610,239	3,053,205	3,982,879	74,408
Other Financing Sources (Uses)				
Transfers in	576,010	-	683,907	1,051,983
Transfers (out)	(450,000)	-	-	(1,861,900)
Bond proceeds	-	-	33,530,000	-
Bond premium	-	-	1,897,389	-
Total Other Financing Sources (Uses)	126,010	-	36,111,296	(809,917)
Net Change in Fund Balances	31,719	(2,105)	33,753,157	137,375
Beginning fund balances	8,439,859	435,459	9,823,906	2,199,275
Ending Fund Balances	\$ 8,471,578	\$ 433,354	\$ 43,577,063	\$ 2,336,650

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,509,302
2,471,754
860,435
98,675
3,658,839
272,548
306,527
2,010,475
24,933
18,213,488

5,222,999
4,843,573
2,017,438
93,327
507,310
3,559,793

2,050,000
1,003,205
423,086

19,720,731

2,311,900
(2,311,900)
33,530,000
1,897,389

35,427,389

33,920,146

20,898,499

\$ 54,818,645

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CITY OF MANVEL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Net changes in fund balances - total governmental funds \$ 33,920,146

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital additions from capital outlay, net of disposals	3,321,502
Capital contributions to enterprise fund	(1,500,348)
Depreciation expense	(693,285)

Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.

Net change in unavailable revenue - property taxes	1,051
--	-------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond issuance	(33,530,000)
Premium	(1,897,389)
Amortization of premium	59,754
Amortization of deferred charge	(1,358)
Accrued interest	(177,745)
Principal payments	2,050,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These adjustments reflect the net changes in pension and other postemployment benefits activity and compensated absences.

Net pension liability	(437,949)
Total OPEB liability	34,671
Deferred outflows - pensions	356,232
Deferred outflows - OPEB	(5,173)
Deferred inflows - pensions	305,947
Deferred inflows - OPEB	(44,187)
Compensated absences	(3,038)

An internal service fund is used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.

132,243

Change in Net Position of Governmental Activities \$ 1,891,074

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2023

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 985,182	\$ 753,464
Receivables, net	392,665	-
Due from other governments	4,091	-
Total Current Assets	1,381,938	753,464
Restricted cash and cash equivalents:		
Customer deposits	182,846	-
Noncurrent assets:		
Capital assets:		
Land	4,418,536	-
Construction in progress	1,838,956	-
Water/sewer system	12,188,070	-
Machinery and equipment	460,363	1,583,528
Less: accumulated depreciation	(3,603,167)	(831,859)
Total Noncurrent Assets	15,302,758	751,669
Total Assets	16,867,542	1,505,133
<u>Deferred Outflows of Resources</u>		
Deferred outflows - pensions	61,223	-
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	54,400	5,798
Customer deposits	182,846	-
Total Current Liabilities	237,246	5,798
Noncurrent liabilities:		
Net pension liability	91,936	-
Long-term debt due in one year	10,216	-
Long-term debt due in more than one year	6,576	-
Total Noncurrent Liabilities	108,728	-
Total Liabilities	345,974	5,798
<u>Deferred Inflows of Resources</u>		
Deferred inflows - pensions	6,915	-
<u>Net Position</u>		
Net investment in capital assets	15,302,758	751,669
Unrestricted	1,273,118	747,666
Total Net Position	\$ 16,575,876	\$ 1,499,335

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise	Internal Service
<u>Operating Revenues</u>		
Water charges	\$ 1,061,151	\$ -
Sewer charges	633,952	-
Other revenues	316,508	280,000
Total Operating Revenues	2,011,611	280,000
<u>Operating Expenses</u>		
Personnel services	572,577	-
Utilities	139,682	-
Supplies	260,789	-
Repair and maintenance	471,552	-
Depreciation	372,565	147,757
Total Operating Expenses	1,817,165	147,757
Operating Income	194,446	132,243
Income Before Contributions	194,446	132,243
<u>Contributions</u>		
Capital contributions	1,500,348	-
Total Contributions	1,500,348	-
Change in Net Position	1,694,794	132,243
Beginning net position	14,881,082	1,367,092
Ending Net Position	\$ 16,575,876	\$ 1,499,335

See Notes to Financial Statements.

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2023

	Business-Type Activities Enterprise	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>		
Receipts from customers and users	\$ 1,766,288	\$ 280,000
Payments to suppliers	(857,641)	-
Payments to employees	(572,577)	-
Net Cash Provided by Operating Activities	336,070	280,000
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition and construction of capital assets	(142,015)	(170,724)
Proceeds from sale of assets	-	27,595
Net Cash (Used) by Capital and Related Financing Activities	(142,015)	(143,129)
Net Increase in Cash and Cash Equivalents	194,055	136,871
Beginning cash and cash equivalents	973,973	616,593
Ending Cash and Cash Equivalents	\$ 1,168,028	\$ 753,464
Ending Cash and Cash Equivalents:		
Unrestricted cash and cash equivalents	\$ 985,182	\$ 753,464
Restricted cash and cash equivalents	182,846	-
Total Ending Cash and Cash Equivalents	\$ 1,168,028	\$ 753,464

CITY OF MANVEL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise	Internal Service
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided (Used) by Operating Activities</u>		
Operating income	\$ 194,446	\$ 132,243
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	372,565	147,757
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(224,139)	-
Prepaid items	24	-
Deferred outflows - pensions	(40,708)	-
Increase (Decrease) in:		
Accounts payable and accrued liabilities	(47,807)	-
Net pension liability	78,298	-
Customer deposits	19,500	-
Deferred inflows - pensions	(16,109)	-
Net Cash Provided by Operating Activities	\$ 336,070	\$ 280,000
 Noncash Investing Activities:		
Capital contributions	\$ 1,500,348	\$ -

See Notes to Financial Statements.

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CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Manvel (the “City”) is a political subdivision of the State of Texas (the “State”) and is considered a primary government. The voters elected on May 14, 2011 to adopt a Home Rule Charter for the City, and the election was canvassed on May 23, 2011. The municipal government provided by the Charter shall be known as a “Council-Manager” form of government. Pursuant to the provisions of, and subject only to the limitations imposed by, the state constitution, state laws, and the charter, all powers of the City shall be vested in an elective council, hereinafter referred to as the “City Council” or the “Council”, which consists of a mayor and six Council members. The Council, by majority vote of the entire Council, shall appoint a City manager, who shall be the chief administrative officer of the City. The City appointed a full-time City manager on January 16, 2012.

The City provides the following services: public safety; public works; library, parks, and recreation; information technology; water and sewer; economic development; and general administrative services.

The City is an independent political subdivision of the State and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component units as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is a legally separate entity, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Units

Manvel Economic Development Corporation

The Manvel Economic Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The mission of the Corporation is to promote economic development within the City and surrounding areas. In 1998, the City’s voters authorized a 0.5% increase in the City’s sales tax rate to provide funding for the Corporation. The Board of Directors (the “Board”) of the Corporation is appointed and may be terminated by City Council. The Board is comprised of seven directors elected to serve two-year terms. The Corporation is required to prepare an annual budget that is approved by City Council. As a discretely presented component unit, the Corporation is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Manvel Cultural Education Facilities Finance Corporation

The Manvel Cultural Education Facilities Finance Corporation (MCEFFC) was organized on September 23, 2002 pursuant to the Texas Cultural Education Facilities Finance Corporation Act. The members of the Board are appointed by City Council. The MCEFFC does not pass an annual budget and has a September 30 year end. The MCEFFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate, and the MCEFFC receives a fee for issuing these bonds. These bonds are limited obligations of the MCEFFC, payable solely from revenues received by the MCEFFC pursuant to a loan agreement by and between the MCEFFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MCEFFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MCEFFC during fiscal year 2023.

Manvel Education Facilities Corporation

The Manvel Education Facilities Corporation (MEFC) was organized on June 12, 2001 pursuant to the Higher Education Authority Act. The members of the Board are appointed by City Council. The MEFC does not pass an annual budget and has a September 30 year end. The MEFC issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate, and the MEFC receives a fee for issuing these bonds. These bonds are limited obligations of the MEFC, payable solely from revenues received by the MEFC pursuant to a loan agreement by and between the MEFC and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. Therefore, the MEFC has no responsibility for the payment of this debt. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. The only activity reported in the financial statements of the City are fees relating to issuance of the debt obligations. These fees are reported in the City's general fund. The City did not report any activities for the MEFC during fiscal year 2023.

Blended Component Units

Tax Increment Reinvestment Zone Number Three

During fiscal year 2010, the City passed an ordinance creating a tax increment reinvestment zone ("TIRZ No. 3"), in accordance with Section 311.005 of the Texas Tax Code. TIRZ No. 3 consists of approximately 2,403.78 acres, which will be developed into the Seven Oaks/Meridiana Project. TIRZ No. 3 will provide the financing and management tools needed to help stimulate the development of commercial and residential areas within TIRZ No. 3. TIRZ No. 3 is managed by a five member Board, of which the City Council appoints positions one through four and position five is appointed by Brazoria County. TIRZ No. 3 has a life of 40 years and has committed 50% of its sales tax and 100% of its property tax, less cost of service, for the duration, or until dissolved by the City. Brazoria County has committed 40% of its property tax beginning in 2013 (unless an earlier date is agreed to) for a period of 30 years from the first year payment.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

South Manvel Development Authority

Upon the recommendation of the TIRZ No. 3 Board, the City Council authorized the submission of an application for formation of the South Manvel Development Authority (SMDA). SMDA is organized for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the area included in TIRZ No. 3, as such boundaries may be amended from time to time, and neighboring areas and to promote, develop, encourage, and maintain housing, educational facilities, employment, commerce, and economic development in the City. SMDA was created on February 14, 2011, pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code, and Chapter 394, Texas Local Government Code. All powers of SMDA shall be vested in a board comprised of the same five Board members as TIRZ No. 3.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and intergovernmental revenue. Expenditures include general government; public safety; public works; library, parks, and recreation; and information technology. The general fund is always considered a major fund for reporting purposes.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from the sales of bonds, as well as related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include hotel taxes, court security, court technology, TIRZ No. 3, South Manvel Development Authority, community impact, law enforcement, park, public education government (PEG) fee, municipal jury, and truancy prevention funds. These funds are considered nonmajor funds for reporting purposes.

The City reports the following proprietary fund:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

Additionally, the City reports the following fund type:

The *internal service fund* accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The internal service fund is used to account for vehicle and equipment costs.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

current financial resources or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) and are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the capital projects fund, enterprise fund, and the Corporation are restricted by bond covenants, customers deposits, and contractual agreements.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Major road improvements of \$50,000 or more are also recorded as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Machinery and equipment	5 to 7 years
Buildings, improvements, and roads	10 to 60 years
Water and sewer system	55 years

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidations. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line in the government-wide Statement of Net Position.

8. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave on a monthly basis up to a maximum of two times the employee's current accrual rate. Accrual rates are based upon the years of service. Compensatory time not used can also be accumulated. Non-exempt employees may accrue compensatory time in lieu of being paid overtime compensation. Public safety employees are subject to a 480 hours cap on the accrual of compensatory time. Other employees are subject to a cap of 240 hours. Personal leave and compensatory time amounts accumulated may be paid to employees upon termination of employment or at retirement.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Though a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

10. Leases

The City is a lessee for noncancellable leases of equipment. The City would recognize a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements for the noncancellable leases of equipment. The City’s leases are immaterial to the financial statements as a whole and are not recognized as a lease liability or a lease asset. The total payments on the lease of equipment are reported as operational cost.

The City is a lessor for a noncancellable lease of City property. The City would recognize a lease receivable and deferred inflows of resources from leases in the general fund and governmental activities for the noncancellable lease of City property. The City’s lease receivable and deferred inflows of resources from leases are immaterial to the financial statement as a whole and not reported. The City’s lease receipts for the lease of City property is reported as revenue in the general fund.

11. Subscription-Based Information Technology Arrangements

The City has noncancellable subscription-based information technology arrangements (SBITAs) to finance the use of information technology software. The City would recognize a liability (the “subscription liability”) and an intangible, right-to-use subscription asset (the “subscription asset”) in the government-wide financial statements. The City’s SBITAs to report are immaterial to the financial statements as a whole and are not recognized as a subscription liability or a subscription asset.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

12. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

13. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

15. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Postemployment Benefits

The City participates in defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expenses is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied on October 1 of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Encumbrance accounting is not utilized.

A. Expenditures in Excess of Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations at the legal level of control for the following expenditures in the general fund and truancy prevention nonmajor fund.

General fund	
Library, parks, and recreation	\$ 1,027
Truancy prevention nonmajor fund	
General government	\$ 5,272

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 2,023,156	0.07
TexSTAR	10,475,197	0.03
LOGIC	51,591,782	0.11
Total Value	<u>\$ 64,090,135</u>	
Portfolio weighted average maturity		0.09

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit risk. The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than ‘AAA’ or ‘AAA-m’, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2023, the City’s investments in investment pools were rated ‘AAA’ or ‘AAAm’ by Standard & Poor’s.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of fiscal year end, the fair market values of pledged securities and FDIC coverage were more than the bank balances.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexSTAR's liquidity.

LOGIC

The Local Government Investment Cooperative (LOGIC) was created in 1994 by Texas local government officials who understand the specific needs and challenges of investing public funds. LOGIC is administered by Hilltop Securities and JPMorgan Chase. Together these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. LOGIC was rated AAA by Standard & Poor's.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

B. Receivables

The following comprise receivable balances at September 30, 2023:

	Governmental Funds				Proprietary Fund	Component Unit
	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise	Manvel Economic Dev. Corp.
Accounts	\$ -	\$ -	\$ 219,565	\$ -	\$ 423,831	\$ -
Property taxes	128,879	53,084	-	-	-	-
Sales taxes	697,393	-	-	-	-	232,464
Hotel occupancy taxes	-	-	-	20,668	-	-
Franchise fees	119,944	-	-	3,814	-	-
Less allowances	(70,608)	(31,730)	-	-	(31,166)	-
Total	<u>\$ 875,608</u>	<u>\$ 21,354</u>	<u>\$ 219,565</u>	<u>\$ 24,482</u>	<u>\$ 392,665</u>	<u>\$ 232,464</u>

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,291,025	\$ -	\$ -	\$ 10,291,025
Construction in progress	2,584,971	771,293	-	3,356,264
Total nondepreciable assets	<u>12,875,996</u>	<u>771,293</u>	<u>-</u>	<u>13,647,289</u>
Other capital assets:				
Buildings, improvements, and roads	8,116,368	376,602	-	8,492,970
Machinery and equipment	5,890,147	849,781	(113,649)	6,626,279
Total other capital assets	<u>14,006,515</u>	<u>1,226,383</u>	<u>(113,649)</u>	<u>15,119,249</u>
Less accumulated depreciation for:				
Buildings, improvements, and roads	(4,234,199)	(318,941)	-	(4,553,140)
Machinery and equipment	(2,934,998)	(522,101)	86,054	(3,371,045)
Total accumulated depreciation	<u>(7,169,197)</u>	<u>(841,042)</u>	<u>86,054</u>	<u>(7,924,185)</u>
Other capital assets, net	<u>6,837,318</u>	<u>385,341</u>	<u>(27,595)</u>	<u>7,195,064</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,713,314</u>	<u>\$ 1,156,634</u>	<u>\$ (27,595)</u>	<u>20,842,353</u>
			Less associated debt	(12,230,000)
			Plus unspent bond proceeds	1,004,126
			Net Investment in Capital Assets	<u>\$ 9,616,479</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component units' capital assets and construction in progress are recorded in the governmental activities totals.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Depreciation was charged to governmental functions as follows:

General government	\$	163,366
Public safety		148,489
Public works		381,430
Internal service		147,757
Total Governmental Activities Depreciation Expense		<u><u>\$ 841,042</u></u>

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,418,536	\$ -	\$ -	\$ 4,418,536
Construction in progress	684,109	1,154,847	-	1,838,956
Total nondepreciable assets	<u>5,102,645</u>	<u>1,154,847</u>	<u>-</u>	<u>6,257,492</u>
Other capital assets:				
Water/sewer system	11,842,569	345,501	-	12,188,070
Machinery and equipment	318,348	142,015	-	460,363
Total other capital assets	<u>12,160,917</u>	<u>487,516</u>	<u>-</u>	<u>12,648,433</u>
Less accumulated depreciation for:				
Water/sewer system	(3,036,278)	(331,540)	-	(3,367,818)
Machinery and equipment	(194,324)	(41,025)	-	(235,349)
Total accumulated depreciation	<u>(3,230,602)</u>	<u>(372,565)</u>	<u>-</u>	<u>(3,603,167)</u>
Other capital assets, net	<u>8,930,315</u>	<u>114,951</u>	<u>-</u>	<u>9,045,266</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 14,032,960</u></u>	<u><u>\$ 1,269,798</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,302,758</u></u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$	<u><u>372,565</u></u>
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CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2023. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

The long-term liabilities for the governmental activities at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 17,765,000	\$ 33,530,000	\$ (1,710,000)	\$ 49,585,000 *	\$ 1,490,000
Direct borrowings/placements:					
Certificates of obligation	1,305,000	-	(105,000)	1,200,000 *	110,000
General obligation bonds	945,000	-	(235,000)	710,000 *	230,000
Premium	428,975	1,897,389	(59,754)	2,266,610 *	-
Net pension liability	781,295	437,949	-	1,219,244	-
Total OPEB liability	123,728	-	(34,671)	89,057	-
Compensated absences	317,022	3,038	-	320,060	208,565
Total Governmental Activities	<u>\$ 21,666,020</u>	<u>\$ 35,868,376</u>	<u>\$ (2,144,425)</u>	<u>\$ 55,389,971</u>	<u>\$ 2,038,565</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 53,351,406</u>	
Debt Associated with Governmental Capital Assets				\$ 12,230,000	
Debt Associated with Business-Type Capital Assets				41,531,610	
Total Debt Associated with Capital Assets				<u>\$ 53,761,610 *</u>	
Debt Associated with Business-Type Capital Assets				\$ 41,531,610	
Add: Deferred loss on refunding				4,075	
Less: Unspent bond proceeds				(39,006,758)	
Business-Type Activities Net Related Debt				<u>\$ 2,528,927</u>	

The long-term liabilities for the business-type activities at year end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Net pension liability	\$ 13,638	\$ 78,298	\$ -	\$ 91,936	\$ -
Compensated absences	9,296	7,496	-	16,792	10,216
Total Business-Type Activities	<u>\$ 22,934</u>	<u>\$ 85,794</u>	<u>\$ -</u>	<u>\$ 108,728</u>	<u>\$ 10,216</u>
Long-Term Liabilities Due In More Than One Year				<u>\$ 98,512</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities' compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Long-term governmental activities debt at year end was comprised of the following debt issues:

Description	Interest Rates (%)	Balance
<u>Governmental Activities</u>		
Certificates of Obligation Bonds		
Certificates of Obligation, Series 2023	3.00-5.00	\$ 32,745,000
Certificates of Obligation, Series 2019	2.00-4.00	3,060,000
Certificates of Obligation, Series 2018	3.00-3.50	7,970,000
Certificates of Obligation, Series 2017	3.00-4.00	2,820,000
Certificates of Obligation, Series 2016	3.00	2,990,000
From Direct Borrowings/Placements:		
Certificates of Obligation, Series 2013	2.70	1,200,000
Total Certificates of Obligation Bonds		50,785,000
General Obligation Bonds		
From Direct Borrowings/Placements:		
Refunding Bonds, Series 2015	2.00	710,000
Total General Obligation Bonds		710,000
Total Governmental Activities Long-Term Debt		\$ 51,495,000

On April 3, 2023, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") for \$33,530,000 to be used for construction of the public works building, police station facilities, City Hall expansion, and improvements to the City's water/sewer system.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Certificates of Obligation			
Fiscal Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2024	\$ 1,490,000	\$ 1,956,712	\$ 3,446,712
2025	1,540,000	1,897,788	3,437,788
2026	1,590,000	1,837,637	3,427,637
2027	1,645,000	1,776,037	3,421,037
2028	1,700,000	1,712,137	3,412,137
2029-2033	9,430,000	7,542,658	16,972,658
2034-2038	10,735,000	5,619,161	16,354,161
2039-2043	6,630,000	3,821,755	10,451,755
2044-2048	7,580,000	2,427,480	10,007,480
2049-2053	7,245,000	761,887	8,006,887
Total	\$ 49,585,000	\$ 29,353,252	\$ 78,938,252

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

The annual requirements to amortize debt issues outstanding for the direct borrowings/placements at year end are as follows:

Certificates of Obligation From Direct Borrowings/Placements			
Fiscal Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2024	\$ 110,000	\$ 28,835	\$ 138,835
2025	110,000	26,525	136,525
2026	110,000	24,105	134,105
2027	115,000	21,518	136,518
2028	120,000	18,755	138,755
2029-2033	635,000	45,753	680,753
Total	\$ 1,200,000	\$ 165,491	\$ 1,365,491

General Obligation Bonds From Direct Borrowings/Placements			
Fiscal Year			
Ending			Total
Sept. 30	Principal	Interest	Requirements
2024	\$ 230,000	\$ 14,200	\$ 244,200
2025	240,000	9,600	249,600
2026	240,000	4,800	244,800
Total	\$ 710,000	\$ 28,600	\$ 738,600

General obligation bonds and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment is from taxes levied on all taxable property located within the City.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

E. Interfund Transactions

The composition of transfers between funds is as follows:

Transfers In	Transfers Out	Amounts
General	Nonmajor governmental	\$ 576,010
Capital projects	General	450,000
Capital projects	Nonmajor governmental	233,907
Nonmajor governmental	Nonmajor governmental	1,051,983
		\$ 2,311,900

Transfers are utilized to fund capital projects or development within the City and to reimburse the general fund for services provided. Transfers must be accounted for in accordance with budgetary authorization.

F. Conduit Debt

The MCEFFC and MEFC issue loans to finance or refinance educational facilities. The related loan agreements and bonds payable have not been recorded in the financial statements of the City. These loans are limited obligations of the issuer, payable solely from revenues received by the issuer pursuant to a loan agreement by and between the issuer and the borrower, as further secured by a deed of trust on certain real property of the borrower securing payments under such loan agreements. In addition, no commitments beyond the secured deed of trust on certain real property of the borrower were extended by MCEFFC and MEFC for any of the loans. At September 30, 2023, the loans had an aggregate outstanding principal amount payable of \$11,200,591.

G. Fund Equity

As of September 30, 2023, \$1,110,758 of the City's total fund balance is restricted by enabling legislation.

H. Restricted Assets

The balances of the restricted cash accounts recognized by the City are as follows:

	Capital Projects	Enterprise	Manvel Economic Dev. Corp.
Restricted for capital projects	\$ 43,324,934	\$ -	\$ -
Restricted for customer deposits	-	182,846	-
Restricted for intergovernmental agreements	-	-	79,479
Total Restricted Cash and Cash Equivalents	\$ 43,324,934	\$ 182,846	\$ 79,479

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 1,174 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end. The City is also unaware of any liabilities related to active economic incentive and development agreements.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 909 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the “TMRS Act”) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the “Board”); however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2023	2022
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Transfers	0%
Annuity increase (to retirees)	70% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to, but not yet receiving, benefits	53
Active employees	91
Total	158

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City-matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.38% and 9.80% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2023 were \$662,260 which were more than the required contributions of \$639,639.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Actuarial Assumptions

The TPL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS' actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each asset class are summarized in the following tables:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equities	35%	7.7%
Core fixed income	6%	4.9%
Non-core fixed income	20%	8.7%
Other public and private markets	12%	8.1%
Real return	12%	5.8%
Hedge funds	5%	6.9%
Private equity	10%	11.8%
Total	<u>100%</u>	

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 743,525	\$ -	\$ 743,525
Interest	422,057	-	422,057
Difference between expected and actual experience	1,547	-	1,547
Contributions - employer	-	628,606	(628,606)
Contributions - employee	-	402,216	(402,216)
Net investment income	-	(380,574)	380,574
Benefit payments, including refunds of employee contributions	(212,949)	(212,949)	-
Administrative expense	-	(3,280)	3,280
Other changes	-	3,914	(3,914)
Net Changes	954,180	437,933	516,247
Balance at December 31, 2021	5,987,412	5,192,479	794,933
Balance at December 31, 2022	\$ 6,941,592	\$ 5,630,412	\$ 1,311,180

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,400,826	\$ 1,311,180	\$ 427,729

Pension Plan Fiduciary Net Position

Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$459,513.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,251	\$ 97,207
Changes in actuarial assumptions	-	1,414
Net difference between projected and actual investment earnings	365,293	-
Contributions subsequent to the measurement date	503,618	-
Total	\$ 873,162	\$ 98,621

\$503,618 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2024	\$ 4,379
2025	51,421
2026	68,682
2027	146,441
Total	\$ 270,923

D. Other Postemployment Benefits

TMRS Supplemental Death Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2022 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	91
Total	112

Total OPEB Liability

The City's total OPEB liability of \$89,057 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statements 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 and 2024 rates as determined in the December 31, 2021 and December 31, 2022 actuarial valuations, respectively.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 17,812
Interest	2,419
Difference between expected and actual experience	1,282
Changes of assumptions	(53,886)
Benefit payments*	(2,298)
Net Changes	(34,671)
Balance at December 31, 2021	123,728
Balance at December 31, 2022	\$ 89,057

*Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the City's yearly contributions for retirees.

The discount rate increased from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 109,174	\$ 89,057	\$ 73,675

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$17,325. The City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,596	\$ 6,156
Changes in actuarial assumptions	22,574	48,113
Contributions subsequent to the measurement date	2,056	-
Total	\$ 27,226	\$ 54,269

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

\$2,056 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2024.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal	OPEB Expense
Year Ended	Amount
September 30	Amount
2024	\$ (2,906)
2025	(3,024)
2026	(3,502)
2027	(4,510)
2028	(7,666)
Thereafter	(7,491)
Total	\$ (29,099)

E. Economic Incentive and Development Agreements

1. Manvel Economic Development Memorandum of Understanding

The City and the Corporation furthered the Memorandum of Understanding (MOU) of July 2, 2018, by entering into an agreement by resolution on March 15, 2021. The Corporation has agreed to assist in the future funding for a certain 160-acre tract (the “Tract”) and to construct certain improvements within the Tract to develop a municipal complex, including regional ballfields (the “Project”). With the common goals of economic synergy, planning efficiency, and prudent budget development, the City and the Corporation agreed to set forth their planned joint commitment to fund the development of the Project. The City agreed to continue to take all steps to acquire the property and plan for the Project, including pursuing surveying, environmental assessment, legal, engineering, and estimation of development costs. The Corporation agreed to reserve 90% of sales tax revenue received, beginning with sales tax received during the 2019 fiscal year. The Corporation confirmed its intent to participate in providing funding for the development of the Project, subject to all procedural and budgetary requirements. During the fiscal year ending September 30, 2023, the Corporation received and restricted \$1,112,000 related to this MOU.

2. Manvel Town Center, LP and Brazoria County Municipal Utility District No. 42

The City entered into a development agreement (the “Agreement”) with Manvel Town Center, LP and Brazoria County Municipal Utility District No. 42 (the “District”) dated January 1, 2014. The Agreement empowers the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

The Agreement shall remain in effect until December 31, 2044, unless earlier terminated for reasons noted in the Agreement. On or before August 15, 2015, the City agreed to create the economic development fund (the “Fund”) and to deposit into such Fund annually during the term of the Agreement, the calculated annual payment as provided by the terms of the Agreement. The Agreement, pursuant to Chapter 380, has a term of 30 years with the base year beginning January 1, 2014.

Economic development revenues shall be the increment over the base year of 50% of the ad valorem taxes attributable to maintenance tax and 50% of the sales and use taxes collected during the term of the Agreement, but not to exceed a maximum total payout of \$42,035,541. The City will subtract and retain

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

an amount equal to 5% of the increment representing City administrative expenses. The City is required to make payments to the Fund by August 15 each year with the first payment due following the receipt of written notice from the District of the commencement of construction of the improvements by or on behalf of the District. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2023.

3. Sonmar of Scottsdale, LLC and Brazoria County Municipal Utility District No. 30

The City entered into an economic development agreement with Sonmar of Scottsdale, LLC (the “Developer”) and an interlocal agreement with Brazoria County Municipal Utility District No. 30 (the “District”) dated March 24, 2008 (the “Agreements”). The Agreements empower the City to provide economic development incentives in accordance with Chapter 380, Texas Local Government Code.

The Developer has agreed to advance funds to the City for costs related to the Agreements, which the City will repay with interest. The Developer has also agreed to construct certain public improvements and capital investments of approximately \$400,000,000. The City agreed to create an economic development fund (the “Fund”) once the City starts receiving sales taxes generated within the boundaries noted within the Agreements. The City agreed to deposit 100% of these sales tax revenues into the Fund. The District also agreed to participate with sales tax revenues to be generated from this development. The sales tax revenues will be used to repay Developer advances, pay “performance-based grants” to the Developer as outlined in the Agreements, and finance improvements as noted in both Agreements. The maximum payout of the performance-based grants plus all payments made under the Agreements shall not exceed \$46,000,000. The Agreements shall remain in effect for an initial term of 35 years, unless earlier terminated for reasons noted in the Agreements. The City did not recognize any expenditures related to these Agreements during the fiscal year ended September 30, 2023.

4. Milestone South Six Development, Ltd. and Brazoria County Municipal Utility District No. 30

The City entered into a development agreement (the “Agreement”) with Milestone South Six Development, Ltd. (the “Developer”) and Brazoria County Municipal Utility District No. 30 (the “District”) dated February 9, 2004. Under this Agreement, the Developer agreed to reimburse the City for expenses relating to the creation of the District. The District has agreed to construct water, wastewater, and drainage facilities as outlined in the Agreement financed through the issuance of bonds. In consideration of the development of land within the District, the related increase in the taxable values, and the desire to more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes, the City has agreed to make annual tax “rebate” payments to the District.

Annual tax “rebates” are determined using the lower of either the rate per \$100 of taxable assessed valuation, or a percentage of the then-current City tax rate as follows:

<u>Years</u>	<u>Rebate</u>
1 – 10	\$0.30 or 42% of actual City tax rate
11 – 20	\$0.25 or 35% of actual City tax rate
Thereafter	\$0.20 or 20% of actual City tax rate

The Agreement includes an exception using a “Test Rate” calculation as outlined in the Agreement in which the annual payments shall be reduced based upon this calculation. If the annual payment is reduced to zero pursuant to the Agreement for three years in a row, the annual payment obligation of the City shall be terminated.

All City payments received by the District shall be deposited into the District’s debt service fund to be used solely for the payment of the District’s bonded indebtedness. Annual payments shall begin on May

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

1 in the calendar year following the calendar year in which the District delivers its first series of bonds to which its ad valorem taxes are pledged and shall be payable each May 1 thereafter. This Agreement shall remain in effect until the earlier of the dissolution of the District by the City or the expiration of 40 years from the effective date of the Agreement. The City did not recognize any expenditures related to this Agreement during the fiscal year ended September 30, 2023.

5. Brazoria County Municipal Utility District No. 43

The City entered into a Memorandum of Interlocal and Development Agreement (the “Agreement”) with the Brazoria County Municipal Utility District No. 43 (the “District”) on April 2, 2018, for the design, financing, and construction of certain public improvements on the 267.7 acres located in the District (the “Property”). The City has agreed to provide regional improvement incentives in the form of financial assistance and the construction of certain improvements to the District to induce the District to provide valuable goods and development services to the City, and to finance the construction of valuable public improvements on behalf of the City, to encourage and promote the development of the District. The District is willing to construct or cause to be constructed certain additional public improvements of behalf of the City in exchange for the City’s participation in funding such improvements.

The City and the District anticipate that the improvements will be built by the District using funds advanced to the District from the developer for eligible project costs, and the District will reimburse the developer. The City anticipates that the District will develop the Property in the near future.

It is anticipated that the District will finance, with no assistance from the City, public improvements in addition to the improvements that are subject to the Agreement at an estimated cost of \$27 million. Included in the facility costs funded by the City are the design/phasing costs, sanitary sewer collection facilities, wastewater treatment plant facilities, water distribution, water supply facilities, regional road improvements (Del Bello Boulevard, Manvel Parkway, Texas Department of Transportation Ramps at State Highway 288, and Del Bello Bridge, Dogwood Bridge over Guld Coast Water Authority canal), and any additional projects mutually agreed to. The costs of the Del Bello Boulevard and Dogwood Bridges are reimbursable expenses that will be paid to the City from the Brazoria County 43 Regional Improvements Fund (the “Fund”). The District agrees to furnish all goods, materials, and services as and when required in connection with the construction of its improvements. Upon completion, all constructed facilities shall be conveyed to the City.

The Fund is established by the City, and the City has agreed to pay the Fund the increment based on the actual collection for each year such funds are collected. The first payment to the Fund was to be March 1, 2020 for the tax year 2019 and it was to include all sales tax increments effective from that date. No sales tax generating property was constructed by March 2020. As a result, the City did not owe a payment on March 1, 2020. The payments shall be made semi-annually. The Property improvements will be built by the District using the funds advanced, and the District will reimburse the developer with interest.

The District may sell District bonds secured by a pledge of revenues from the Fund (i.e., contract revenue bonds), in addition to a pledge of the District’s taxes costs associated. The Fund may have sufficient funds available to reimburse the developer or the City directly instead of selling District bonds, and thus may take advantage of savings for reduced issuance costs and interest. The City recognized expenditures of \$297,632 related to this Agreement during the fiscal year ended September 30, 2023.

CITY OF MANVEL, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. Brazoria County Municipal Utility District No. 83

The City entered into a Development Agreement (the “Agreement”) with the Brazoria County Municipal Utility District No. 83 (the “District”) on August 16, 2021, for the design, financing, and construction of certain public improvements on the approximately 440 acres located in the District (the “Property”). The City has agreed to provide regional improvement incentives in the form of financial assistance to the District to induce the District to provide valuable development services to the City and to encourage and promote the development of the District. The District is willing to construct or cause to be constructed certain additional public improvements of behalf of the City in exchange for the City’s participation in funding such improvements.

The improvements for the agreement will include Del Bello Boulevard, Dogwood Avenue and the crossing at Chocolate Bayou, Pollard Boulevard, and Charlotte Street (including crossings at Chocolate Bayou, DD4 Ditch and the GCWA Canal). The District agrees to furnish all goods, materials, and services as and when required in connection with the construction of its improvements.

The Fund is established by the City, and the City has agreed to pay the Fund the increment based on the actual collection for each year such funds are collected. The first payment to the Fund will be June 1, 2024 for the increment of January 1, 2022 (base year value) to January 1, 2023. The payments shall be made annually. The increment shall be calculated by using 90% of the City’s O&M taxes on properties in the District less \$205 for each equivalent single family connection in the District for the applicable tax year. The increment shall be paid for a maximum of 30 years or for a sum total of \$18 million, whichever may occur first. The City recognized no expenditures related to this Agreement during the fiscal year ended September 30, 2023.

F. TIRZ No. 3 Financing Agreements

The City has entered into a shared financing agreement between the City, TIRZ No. 3, SMDA, Brazoria County MUD No. 56, and Brazoria County MUD No. 57 dated December 29, 2010 to provide for the joint financing, design, construction, and operation of the TIRZ No. 3 plan projects.

The City has entered into a development financing agreement. The developer agrees to convey to the SMDA a parcel of land to be used as an interim park site until a permanent site can be determined. The SMDA or the City may erect recreational improvements on the site at their expense. On February 12, 2012, the SMDA approved a special warranty deed conveying a parcel of land for such purposes.

G. Pipeline Deposit Agreements

The City has entered into agreements with pipeline companies, such as Phillips 66 Pipeline LLC; EPO Pipeline, LLC; Enterprise Crude Pipeline, LLC; and Lavaca Pipeline, LLC for the purpose of constructing, maintaining, laying, operating, and/or repairing pipelines utilized for the transportation of liquids or gaseous materials along the right-of-ways and/or under certain roads located in the City. As of September 30, 2023, the balance for the pipeline deposit is \$165,241.

H. Subsequent Events

On December 6, 2023, SMDA issued Tax Increment Contract Revenue Bonds, Series 2023 for \$17,710,000. The proceeds from the bonds will be used for the purposes of reimbursing developers for approved project costs. The bonds are limited obligations of SMDA, payable solely from the pledged revenues and are not obligations of the City.

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