



STAFF REPORT
City of Dripping Springs
PO Box 384
511 Mercer Street
Dripping Springs, TX 78620

Submitted By: City Attorney

Council Meeting Date: December 16, 2025

Agenda Item Wording: Approval of a resolution of no objection on Hays County Municipal Utility District No. 4 Bond Application Report No. 5, proposing the issuance of up to \$7,440,000 in bonds for wastewater, water quality, and stormwater improvements, with an estimated interest rate of 5.50%, as required by the Creation and Operation Agreement between the City and the District.

Summary/Background: Hays County Municipal Utility District No. 4 (“MUD 4”) has submitted Bond Application Report No. 5 (“BAR No. 5”) to the Texas Commission on Environmental Quality (TCEQ) and provided a copy to the City of Dripping Springs for review and comment, as required by Section 3 of the Creation and Operation Agreement and its 2010 Amendment. The City is asked to review the application, provide any comments or recommendations, and consider a resolution of no objection to the proposed bond issuance.

Under the Creation and Operation Agreement, MUD 4 must submit any bond application filed with TCEQ to the City for review, and the City may provide comments, recommendations, and a statement of approval or no objection. The District is required to incorporate the City’s recommendations into the final bond sales package, provided they do not render the bonds unmarketable or are not materially detrimental to the District, in the District’s reasonable judgment. The City’s recommendations may address, but are not limited to, overlapping tax rates, the number of homes occupied, taxpayer concentrations, debt to assessed value ratios, TCEQ rules regarding market studies, and overall compliance with TCEQ rules.

BAR No. 5 requests authorization to issue up to \$7,440,000 in bonds for wastewater, water quality, and stormwater improvements, including reimbursement for prior expenditures, permit amendments, expansions of drip field disposal capacity, and related engineering and legal costs. No funds are allocated for recreational facilities or roads, which is consistent with the District’s authority and the City’s expectations.

Key Findings from Staff Review

Staff have reviewed Section 8 of the bond application and the cash flow projection, as well as other key financial and operational metrics. The following findings are provided for Council's comfort and transparency:

Assessed Valuation (AV): The latest certified AV is \$281,644,937 as of September 15, 2025, an increase of about \$100 million since the District's last bond rating in 2022.

Debt to AV Ratio: After this bond issue, the District's total debt will be \$22,260,000, which is a 7.90% debt to AV ratio.

Overlapping Tax and Debt Ratios: The District's combined tax rate (debt service + maintenance) is \$0.8989 per \$100 AV. Overlapping tax rates (including county, ISD, ESD, etc.) total \$1.67684 per \$100 AV.

Tax Collection Percentage: The District has historically collected 99–100% of its taxes each year.

Fund Balances: As of October 15, 2025, the District's total cash and investment balances are \$3,872,247.06, with healthy balances in the general, tax, debt service, and capital projects funds.

Number of Connections: The District reports 571.7 active equivalent connections and 703.3 projected at buildout. The land use and development tables show the District is substantially built out, with no new development projected from this bond issue.

Maximum Maturity: The application does not propose a maturity beyond 40 years, which is consistent with the consent agreement and TCEQ rules.

Cash Flow Projection: The cash flow projection shows the District can support the proposed debt service with the current and projected tax base, assuming no growth.

In summary, the District's financial position appears sound and compliant with all requirements.

Commission Recommendations:

N/A

Recommended Council Actions:

Approve resolution expressing no objection to bond issuance.

Attachments:

Letter from Hays County M.U.D. No. 4 submitting Bond Application Report

Draft resolution

