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

Submitted By:	Aniz Alani, City Attorney
Council Meeting Date:	July 21, 2026
Agenda Item Wording:	Approval of a resolution consenting to and expressing no objection to the issuance of Springhollow Municipal Utility District Water, Sewer, and Drainage Bond Issue No. 6, in a principal amount not to exceed $4,385,000, for reimbursement of water, wastewater, drainage, and wholesale water capacity costs, as required by the Agreement Concerning Creation and Operation of Springhollow Municipal Utility District.
Applicant:	Springhollow Municipal Utility District

Summary/Background: Springhollow Municipal Utility District of Hays County (the **District**) has submitted notice and a bond application report to the City of Dripping Springs for the District's proposed Water, Sewer, and Drainage Bond Issue No. 6. The proposed bond issue will be used to reimburse the developer for previously unreimbursed water, wastewater, and drainage facilities in Parten Ranch Phase 8 and impact fees for wholesale water capacity from West Travis County PUA.

The District and the City are parties to the Agreement Concerning Creation and Operation of Springhollow Municipal Utility District, dated effective December 18, 2007, as subsequently assigned or amended (the Consent Agreement). Article V of the Consent Agreement governs issuance of District bonds and requires the District to provide the City with notice, required certifications, and a bond package for review.

The City received the District's initial notice and financial advisor certification on May 13, 2026. The City did not receive the bond application report at that time. District counsel subsequently confirmed that the City's 30-day review period should begin when the bond application report was provided. The bond application report was transmitted to the City by email on June 29, 2026.

Under the Consent Agreement, the City may object to a proposed bond issue only on the basis that the District is in default of a material provision of the Consent Agreement.

The District has certified that it is not in breach of any material provision of the Consent Agreement, and the District's financial advisor has certified that the bonds are being issued within the current economic feasibility guidelines established by the Texas Commission on Environmental Quality for districts issuing bonds for water, sewer, or drainage facilities in Hays County.

Staff reviewed the District's notice, financial advisor certification, engineering report, prior City resolution materials, the Consent Agreement, and follow-up email confirmations from District counsel and the District's financial advisor.

The following findings are provided for Council's consideration:

Bond Amount: The District's May 13, 2026 notice stated that the bonds would be issued in an amount not to exceed **$5,000,000**. District counsel subsequently clarified that the **$4,385,000** amount reflected in the engineering report is the final number for Water, Sewer, and Drainage Bond Issue No. 6. Accordingly, the resolution approves and expresses no objection to issuance in a principal amount not to exceed **$4,385,000**.

Purpose of Bonds: The proposed bond proceeds will be used to reimburse previously unreimbursed water, wastewater, and drainage facilities in Parten Ranch Phase 8 and impact fees for wholesale water capacity from West Travis County PUA. These purposes are consistent with the utility bond purposes authorized by the Consent Agreement.

Recreational Facilities and Roads: No recreational facilities are included in the proposed bond issue. Although the District has road powers, this bond issue is presented as a water, sewer, and drainage bond issue.

Interest Rate: The engineering report uses an assumed interest rate of **5.25%** for feasibility analysis. Final bond pricing must comply with the interest-rate limitation in Section 5.02 of the Consent Agreement.

Maximum Maturity: The Consent Agreement limits each bond series to a maximum maturity of 25 years from closing. Staff recommends confirming that the final bond structure complies with this requirement before issuance.

Assessed Valuation: The engineering report states that the latest certified assessed valuation is $337,099,862 as of January 1, 2025, and the latest certified estimate of assessed valuation is $420,456,365 as of April 1, 2026.

Debt-to-Assessed-Valuation Ratio: The engineering report shows combined water, wastewater, and drainage debt of $40,920,000 after the proposed issue, representing 9.73% based on current certified or estimated value. The report also shows roadway debt of $14,410,000, representing 3.43%. Combined total District debt would be approximately $55,330,000, or approximately 13.16% against the April 1, 2026 estimated assessed valuation. This is below the Consent Agreement's 25% debt-to-valuation limitation.

Tax Rate: The District's notice states that the current debt service tax rate is $0.8500, the current total District tax rate is $1.00, the proposed total District tax rate after issuance is $1.00, and the proposed debt service tax rate is $0.8750. The District's financial advisor subsequently confirmed that the May notice is correct and that next year's projected tax rates are $0.875 for debt service and $0.125 for maintenance and operations, for a total District tax rate of $1.00.

Cash and Investment Balances: As of May 28, 2026, the engineering report shows cash and investment balances of $3,484,440 in the general operating fund, $5,327,981 in the debt service fund, and $652,810 in the capital projects fund.

Development Status: The engineering report states that the District has 419 existing equivalent connections and 580 projected equivalent connections at full development. Phase 8 includes 86 projected equivalent connections. The report states that there is no further development to be funded with water, sewer, and drainage bonds and that all areas are built out.

Financial Feasibility: The District's financial advisor certified that the bonds are being issued within TCEQ economic feasibility guidelines for districts located in Hays County. The engineering report states that economic feasibility is based on no growth.

Commission Recommendations: N/A

Recommended Council Actions: Approval of a resolution consenting to / expressing no objection to Springhollow Municipal Utility District Water, Sewer, and Drainage Bond Issue No. 6 in a principal amount not to exceed **$4,385,000**.

Attachments:

- Notice of Bond Issue from Springhollow Municipal Utility District
- Engineering Report for Springhollow Municipal Utility District Water, Sewer, and Drainage Bond Issue No. 6
- Agreement Concerning Creation and Operation of Springhollow Municipal Utility District
- Draft Resolution