

AGENDA ITEM COVER SHEET

SUBJECT:

Discuss and consider approval of an Ordinance Authorizing the Issuance of the "City of Dripping Springs, Texas Special Assessment Revenue Bonds, Series 2024 (Heritage Public Improvement District Improvement Area #2 Project)"; Approving and Authorizing an Indenture of Trust, a Bond Purchase Agreement, an Offering Memorandum, a Continuing Disclosure Agreement and other Agreements and Documents in Connection therewith; Making Findings with Respect to the Issuance of such Bonds; and Providing an Effective Date.

ITEM SUMMARY/SPECIAL CONSIDERATIONS:

On November 14, 2017, the Council adopted Resolution No. 2017-74 authorizing the creation of the Heritage Public Improvement District (the "PID") after a public hearing in accordance with Chapter 372, Texas Local Government Code, as amended (the "PID Act"). The PID is expected to be developed in phases, which began with an area designated as "Improvement Area #1" within the District ("Improvement Area #1"), and is continuing with the development of an area encompassing approximately 75.57 acres designated as "Improvement Area #2." The PID consists of approximately 188.943 acres. Improvement Area #2 is expected to include approximately 160 lots and the future improvement areas are expected to include approximately 277 lots and approximately 105 multifamily units. The City is authorized by the PID Act to issue revenue bonds payable from the Assessments levied within Improvement Area #2 for the purpose of paying a portion of the actual costs of the authorized improvements constructed for the benefit of property within Improvement Area #2 of the PID.

On August 20, 2024, the Council approved the form and content of the Preliminary Limited Offering Memorandum (the "PLOM") related to the City of Dripping Springs, Texas Special Assessment Revenue Bonds, Series 2024 (Heritage Public Improvement District Improvement Area #2 Project) (the "PID Bonds") and authorized the PLOM to be used and distributed by FMSbonds, Inc. (the "Underwriter") to investors in connection with the marketing and sale of the PID Bonds. As described in the PLOM, the PID Bonds do not carry a credit rating. Accordingly, the PLOM limits the initial offering of the PID Bonds only to "Accredited Investors" and "Qualified Institutional Buyers" under federal securities law, and the PID Bonds must be sold in minimum denominations of \$25,000 of principal amount and any integral multiple of \$1,000 in excess thereof.

Pursuant to the PID Act, the proposed "Improvement Area #2 Assessment Roll" and service and assessment plan were filed with the City Secretary and the statutory notice of the public hearing to be held by the City Council on September 17, 2024 was published on August 28, 2024, advising that the City Council would consider the levy of the proposed assessments (the "Assessments") on real property within Improvement Area #2 of the PID. The City Secretary, pursuant to the PID Act, additionally mailed notice of the public hearing to consider the proposed Improvement Area #2 Assessment Roll and the Amended and Restated Service and Assessment Plan ("SAP") and the levy of the Assessments on property within Improvement Area #2 of the District to the owners of the property liable for the Assessments.

The attached ordinance (the "Bond Ordinance") authorizes the issuance and sale of the PID Bonds and approves the attached Indenture of Trust, Bond Purchase Agreement, and Continuing Disclosure Agreement of the City. The Indenture of Trust will be entered into by and between the City and Wilmington Trust, National Association (the "Trustee") whereby the City will pledge and grant to the Trustee for the benefit of the bondholders a security interest in the Trust Estate, which consists primarily of the Assessments. The PID Bonds are special, limited obligations of the City that are payable only from Assessments and related funds as described in the Indenture of Trust, and the City has no obligation to pay the PID Bonds out of any other sources. The Indenture of Trust additionally creates the Pledged Revenue Fund, Project Collection Fund, Bond Fund, Project Fund, Reserve Fund, and Administrative Fund, all of which will be held by the Trustee. The Bond Purchase Agreement will be entered into by and between the City and the Underwriter, whereby the Underwriter agrees to purchase the PID Bonds from the City, and the City agrees to sell and deliver the PID Bonds to the Underwriter subject to the terms and conditions set forth in the Bond Purchase Agreement. The Continuing Disclosure Agreement of the City will be executed by and between the City, P3Works, LLC (the "PID Administrator"), and Wilmington Trust, National Association, as the dissemination

agent, for the benefit of the bondholders. The Continuing Disclosure Agreement requires the City to provide certain financial and operating data to the Municipal Securities Rulemaking Board on an annual basis.

Attached to the Bond Ordinance is a copy of the Indenture of Trust, the Bond Purchase Agreement, and the City's Continuing Disclosure Agreement related to the issuance of the PID Bonds. The attachments will be completed and finalized after the sale is finalized. The form and substance of the final Limited Offering Memorandum (the "Offering Memorandum"), which is substantially similar to the form and substance of the PLOM and will be finalized after the sale of the PID Bonds, is also approved and adopted pursuant to the Bond Ordinance.

The PID Bonds will be utilized to reimburse M/I Homes of Austin, LLC (the "Developer") for eligible improvements within Improvement Area #2 of the PID. Unlike traditional general obligation bonds, the City will not receive the proceeds of the PID Bonds. The proceeds of the PID Bonds will instead be held by the Trustee, per the attached Indenture of Trust. The City's PID Administrator, P3 Works, will be responsible for coordinating with the City, Trustee, and the Developer to ensure that disbursements are administered in accordance with the various documents between the City and the Developer.

The PID Bonds will never constitute an indebtedness or general obligation of the City but are special obligations of the City payable solely from the Assessments on property within Improvement Area #2 of the PID. Repayment of the PID Bonds is contingent on owners of land within Improvement Area #2 of the PID making the annual installment payments to generate assessment revenue. The City has no legal or moral obligation to repay the PID Bonds from any other source other than the pledged revenues, as set forth in the Indenture of Trust.

COMMENTS

The PID Bonds are currently anticipated to close on October 16, 2024.

ATTACHMENTS:

Bond Ordinance (including all attachments to be updated following pricing)