



City Council Regular Meeting

*Dripping Springs ISD Center for Learning and Leadership
Board Room, 300 Sportsplex Drive – Dripping Springs, Texas*

Tuesday, April 01, 2025, at 6:00 PM

AGENDA

CALL TO ORDER & ROLL CALL

City Council Members

Mayor Bill Foulds, Jr.
Mayor Pro Tem Taline Manassian
Council Member Place 2 Wade King
Council Member Place 3 Geoffrey Tahuahua
Council Member Place 4 Travis Crow
Council Member Place 5 Sherrie Parks

Staff, Consultants, & Appointed/Elected Officials

City Administrator Michelle Fischer
Deputy City Administrator Ginger Faught
Deputy City Administrator Shawn Cox
City Attorney Laura Mueller
Deputy City Attorney Aniz Alani
City Secretary Diana Boone
Planning Director Tory Carpenter
Information Technology Director Jason Weinstock
Parks & Community Services Director Andy Binz
People & Communications Director Lisa Sullivan

PLEDGE OF ALLEGIANCE

PRESENTATION OF CITIZENS

A member of the public that wishes to address the City Council on any issue, regardless of whether it is posted on this agenda, may do so during Presentation of Citizens. It is the request of the City Council that individuals wishing to speak on agenda items with a public hearing hold their comments until the item is being considered. Individuals are allowed two (2) minutes each to speak regarding issues not on the agenda and two (2) minutes per item on the agenda and may not cede or pool time. Those requiring the assistance of a translator will be allowed additional time to speak. Individuals are not required to sign in; however, it is encouraged. Individuals that wish to share documents with the City Council must present the documents to the City Secretary or City Attorney providing at least seven (7) copies; if seven (7) copies are not provided, the City Council will receive the documents the following day. Audio Video presentations

will not be accepted during Presentation of Citizens. By law no action shall be taken during Presentation of Citizens; however, the Mayor may provide a statement of specific factual information, recitation of existing policy, or direction or referral to staff.

PROCLAMATIONS & PRESENTATIONS

Proclamations and Presentations are for discussion purposes only and no action shall be taken.

- 1. Proclamation of the City of Dripping Springs proclaiming April 2025 as "Child Abuse and Sexual Assault Awareness and Prevention Month." Sponsor: Mayor Bill Foulds, Jr.**

CONSENT AGENDA

The following items will be acted upon in a single motion and are considered to be ministerial or routine. No separate discussion or action on these items will be held unless pulled at the request of a member of the City Council or City staff.

- 2. Approval of the March 4, 2025 Board of Adjustment and City Council meeting minutes.**
- 3. Approval of a Resolution revising the City of Dripping Springs Personnel Manual. Sponsor: Mayor Bill Foulds, Jr.**
- 4. Approval of a Founders Day Participation Agreement with the Dripping Springs Lions Club regarding Food Vendor Booths and Carnival at the 2025 festival. Sponsor: Council Member Parks**
- 5. Approval of a Property Use Agreement with the Dripping Springs Lions Club and Dripping Springs Independent School District during the 2025 Founders Day Festival. Sponsor: Council Member Parks**

BUSINESS AGENDA

- 6. Presentation and consideration of approval of the City of Dripping Springs Fiscal Year 2023-2024 Audit. Presenter, Roger Tovar, Whitley Penn.**
- 7. Consideration and action with respect to a Resolution Delaying Action on an Ordinance Authorizing the Issuance of the City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation, Series 2025 in the Maximum Principal amount of \$14,500,000 and Other Matters Related Thereto.**

REPORTS

Reports listed are on file and available for review upon request. The City Council may provide staff direction; however, no action shall be taken.

- 8. Budget Departmental Report: Finance Department Year in Review.** *Shawn Cox, Deputy City Administrator*
- 9. Budget Departmental Report: IT Department Year in Review.** *Jason Weinstock, IT Director*
- 10. Planning Department Report.** *Tory Carpenter, Planning Director*

CLOSED SESSION

The City Council has the right to adjourn into closed session on any item on this agenda and at any time during the course of this meeting to discuss any matter as authorized by law or by the Open Meetings Act, Texas Government Code Sections 551.071 (Consultation With Attorney), 551.072 (Deliberation Regarding Real Property), 551.073 (Deliberation Regarding Prospective Gifts), 551.074 (Personnel Matters), 551.076 (Deliberation Regarding Security Devices or Security Audits), and 551.087 (Deliberation Regarding Economic Development Negotiations), and 551.089 (Deliberation Regarding Security Devices or Security Audits). Any final action or vote on any Closed Session item will be taken in Open Session.

- 11. Consultation with Attorney and Deliberation Regarding Real Property related to TIRZ Priority Projects and Other Potential Strategic Real Property Acquisitions.** *(Consultation with Attorney, 551.071; Deliberation Regarding Real Property, 551.072)*
- 12. Consultation with Attorney regarding legal issues related to the South Regional Water Reclamation Project, Wastewater, and Amendment 2 Permits, Wastewater Service Area and Agreements, Water Service and Agreements, Wastewater Fees, Wastewater Infrastructure Agreements, facility liability coverage, and related items.** *(Consultation with Attorney, 551.071)*
- 13. Consultation with City Attorney related to legal issues regarding land use, economic development, waiver and variance processes, and infrastructure requirements and rough proportionality.** *(551.071, Consultation with Attorney).*

UPCOMING MEETINGS

City Council & Board of Adjustment Meetings

April 15, 2025, at 6:00 p.m.

May 6, 2025, at 6:00 p.m.

Board, Commission, & Committee Meetings

Historic Preservation Commission, April 3, 2025, at 6:00 p.m.

DSRP Board, April 9, 2025, at 11:00 a.m.

ADJOURN

TEXAS OPEN MEETINGS ACT PUBLIC NOTIFICATION OF MEETING

*I certify that this public meeting is posted in accordance with Texas Government Code Chapter 551, Open Meetings. This meeting agenda is posted on the bulletin board at the City of Dripping Springs City Hall, located at 511 Mercer Street, and on the City website at, www.cityofdrippingsprings.com, on **March 28, 2025 at 6:00 p.m.***

Diana Boone, City Secretary

This facility is wheelchair accessible. Accessible parking spaces are available. Request for auxiliary aids and services must be made 48 hours prior to this meeting by calling (512) 858-4725.



**PROCLAMATION
OF THE CITY OF DRIPPING SPRINGS
PROCLAIMING APRIL 2025, AS**

“Child Abuse and Sexual Assault Awareness and Prevention Month”

WHEREAS, 6.3 million Texans have experienced some form of sexual assault in their lifetime and more than **34,994** cases of child abuse and neglect were confirmed in Texas in 2024 resulting in **9,754** children in foster care in Texas and the death of **99** children in Texas in 2024; and

WHEREAS, 2 in 5 women and 1 in 5 men in Texas have been sexually assaulted in their lifetime affecting all races, ages, genders and economic situations, and **283** children were confirmed victims of abuse in Hays County in 2024; and

WHEREAS, the Hays-Caldwell Women’s Center provided direct services to **667** adult victims of sexual assault in Hays and Caldwell Counties last year; and

WHEREAS, child abuse and sexual abuse prevention is a community responsibility and finding solutions depends on involvement among all people;

WHEREAS, representatives from Hays County Child Protective Board, Hays County District Attorney’s Office, Hays-Caldwell Women’s Center and Roxanne’s House, Greater San Marcos Youth Council, Texas Department of Family and Protective Services, Court Appointed Special Advocates (CASA), San Marcos, Kyle, and Buda Police Departments, Hays County Sheriff’s Office, and Bluebird’s Hope and Christus Santa Rosa- San Marcos have joined forces to provide preventive and supportive services to child victims and their families; and

WHEREAS, efforts to reduce child abuse and sexual assault can only be successful through citizen involvement, and the safety of the citizens of the City of Dripping Springs depends upon our actions to end child abuse and sexual assault; and

WHEREAS, the City of Dripping Springs is intolerant of sexual violence in any form and recognizes that education and awareness may prevent sexual assault and every child in Dripping Springs deserves to be safe, nurtured and supported in caring relationships.

NOW, THEREFORE, BE IT PROCLAIMED by the City of Dripping Springs City Council:

1. That April 2025 shall be known as “Child Abuse and Sexual Assault Awareness and Prevention Month” in the City of Dripping Springs, Texas; and
2. That citizens of Dripping Springs are encouraged to work together to raise awareness and prevent child abuse and sexual assault in our community and beyond.

Mayor Bill Foulds, Jr.



City Council & Board of Adjustment Regular Meeting

Dripping Springs ISD Center for Learning and Leadership

Board Room, 300 Sportsplex Drive – Dripping Springs, Texas

Tuesday, March 04, 2025, at 6:00 PM

DRAFT MINUTES

CALL TO ORDER & ROLL CALL

With a quorum of Council Members present, Mayor Foulds called the meeting to order at 6:03 p.m.

City Council Members

- Mayor Bill Foulds, Jr.
- Mayor Pro Tem Taline Manassian
- Council Member Place 2 Wade King
- Council Member Place 3 Geoffrey Tahuahua
- Council Member Place 4 Travis Crow
- Council Member Place 5 Sherrie Parks

Staff, Consultants, & Appointed/Elected Officials

- City Administrator Michelle Fischer
- Deputy City Administrator Ginger Faught
- Deputy City Administrator Shawn Cox
- City Attorney Laura Mueller
- Deputy City Attorney Aniz Alani
- City Secretary Diana Boone
- Community Events Coordinator Johnna Krantz
- Aquatics Manager Drew Hughes
- Parks & Community Services Assistant Director Emily Nelson
- People & Communications Director Lisa Sullivan
- Parks & Community Services Director Andy Binz
- Planning Director Tory Carpenter
- Human Resources Director Chase Winburn
- Planning & Zoning Commission Chair Mim James

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Council Member Tahuahua.

BOARD OF ADJUSTMENT

CALL TO ORDER & ROLL CALL

Board Members

Chair Bill Foulds, Jr.

Taline Manassian

Wade King

Geoffrey Tahuahua

Travis Crow

Sherrie Parks

BOARD OF ADJUSTMENT AGENDA

- 1. Public hearing, discussion, and consideration of approval of VAR2024-013: a variance request to allow three commercial buildings within the side building setback for the property located at 1300 E US 290. Applicant: Shawn Beichler, AAA Storage-Storserv**

a. Applicant Presentation

The applicant was not present.

b. Staff Report

The staff report was presented by Planning Director Tory Capenter. Staff recommends denial of the variance request.

c. Planning & Zoning Commission Report

Planning & Zoning Commission Chair Mim James presented on behalf of the commission and recommended denial.

d. Public Hearing

No one spoke during the Public Hearing.

e. Variance

A motion was made by Council Member Crow and seconded by Council Member King, to deny variance 2024-013. The motion to deny carried unanimously 5 to 0.

- 2. Public hearing, discussion, and consideration of approval of VAR2024-014: a variance request to waive the masonry fence requirement for a commercial development on the property located at 1300 E US 290. Applicant: Shawn Beichler, AAA Storage-Storserv**

a. Applicant Presentation

The applicant was not present.

b. Staff Report

The staff report was presented by Planning Director Tory Capenter. Staff recommends denial of the variance request.

c. Planning & Zoning Commission Report

Planning & Zoning Commission Chair Mim James presented on behalf of the commission and recommended denial.

d. Public Hearing

No one spoke during the Public Hearing.

e. Variance

After a brief discussion, this item was skipped to be addressed after Item 3.

A motion was made by Council Member Tahuahua and seconded by Council Member Crow, to postpone this item to date certain, April 1, 2025 and directed staff to find out when fence was built.

The motion to postpone carried unanimously 5 to 0.

3. Public hearing, discussion, and consideration of approval of VAR2024-010: a variance request to allow a commercial building larger than 50,000 square feet in a Commercial Services zoning district for a property located at 598 E US 290. Applicant: Zachary Morgan, Quiddity

a. Applicant Presentation

Kathy Stimple presented and requested a variance to allow a structure up to 150,000 sq.ft. in the Commercial Services District.

b. Staff Report

The staff report was presented by Planning Director Tory Carpenter. Staff recommends approval of the variance request with the condition that the applicant submit an alternative exterior design prior to submitting a site development application.

c. Planning & Zoning Commission Report

Planning & Zoning Commission Chair Mim James presented on behalf of the commission and recommended approval of the variance request.

d. Public Hearing

No one spoke during the Public Hearing.

e. Variance

A motion was made by Council Member Tahuahua and seconded by Council Member Crow, to approve the variance request to allow a commercial building larger than 50,000

square feet in a Commercial Services zoning district, not to exceed 150,000 square feet.

The motion to approve carried unanimously 5 to 0.

CITY COUNCIL

PRESENTATION OF CITIZENS

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No one spoke during the Presentation of Citizens.

CONSENT AGENDA

The following items will be acted upon in a single motion and are considered to be ministerial or routine. No separate discussion or action on these items will be held unless pulled at the request of a member of the City Council or City staff.

- 4. Approval of the February 18, 2025 Regular City Council Meeting Minutes.**
- 5. Discuss and consider approval of a Facility Use Agreement between the City of Dripping Springs and Tiger Splash TAAF Swim Team related to use of the Founders Memorial Pool for the 2025 swim season. Sponsor: Mayor Pro Tem Manassian**
- 6. Discuss and consider approval of a resolution suspending the April 12, 2025 effective date of the interim rate adjustments proposed by Texas Gas Service Company for the maximum period allowed by Texas Utilities Code § 104.301(a) to permit adequate time to review the proposed increases, analyze all necessary information, and take appropriate action related to the proposed increases. Sponsor: Mayor Pro Tem Manassian**
- 7. Approval of a Resolution Accepting Improvements and Approving a Maintenance Bond for Caliterra Phase 2, Section 7 – Wastewater. Applicant: DNT Construction, LLC**
- 8. Approval of a Resolution Accepting Improvements and Approving a Maintenance Bond for Caliterra Phase 5, Section 13 – Wastewater. Applicant: DNT Construction, LLC**

- 9. Approval of a Resolution Accepting Improvements and Approving a Maintenance Bond for the Driftwood Golf & Ranch Club Phase 3B – Water & Wastewater Improvements.**
Applicant: Jimmy Evans Company

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Crow, to approve items 5 – 9 and to bring back item 4 to the next council meetings with corrections.

The motion carried unanimously 5 to 0.

BUSINESS AGENDA

- 10. Public hearing, discussion, and consideration of approval of ZA2024-007: a zoning amendment request from PDD 1 to Commercial Services (CS) for Lot 1, Block B of the Dripping Springs Retail Center located at 598 E US 290.** *Applicant: Zachary Morgan, Quiddity*

a. Applicant Presentation

Kathy Stimple remained in audience to answer questions.

b. Staff Report

The staff report was presented by Planning Director Tory Capenter. Staff recommends approval of the zoning amendment as presented.

c. Planning & Zoning Commission Report

Planning & Zoning Commission Chair Mim James presented on behalf of the commission and recommended approval of the request.

d. Public Hearing

No one spoke during the Public Hearing.

e. Zoning Amendment

A motion was made by Council Member Tahuahua and seconded by Council Member Parks, to approve the zoning amendment request from PDD 1 to Commercial Services (CS) for Lot 1, Block B of the Dripping Springs Retail Center located at 598 E US 290.

The motion to approve carried unanimously 5 to 0.

- 11. Public hearing, discussion, and consideration of approval of an ordinance regarding DA2025-001: an application amending the Driftwood 552 Development Agreement to expand the existing Driftwood 552 Development Agreement Area by annexing Lots 5 & 6 of the Down Stream Subdivision.** *Applicant: Zachary Morgan, P.E.*

a. Applicant Presentation

Applicant was in audience, prepared to answer questions as needed.

b. Staff Report

The staff report was presented by Planning Director Tory Capenter. Staff recommends approval of the development expansion as presented.

c. Planning & Zoning Commission Report

Planning & Zoning Commission Chair Mim James presented on behalf of the commission and recommended approval.

d. Public Hearing

No one spoke during the Public Hearing.

e. Amendment

A motion was made by Council Member Tahuahua and seconded by Mayor Pro Tem Manassian, to approve the ordinance amending the Driftwood 552 Development Agreement to expand the existing Driftwood 552 Development Agreement Area by annexing Lots 5 & 6 of the Down Stream Subdivision.

The motion to approve carried unanimously 5 to 0.

- 12. Discuss and consider approval of an Ordinance Amending Article 28.06 Landscaping and Tree Preservation Ordinance; Establishing Regulations for Development and the Preservation of Trees, related to Differentiating between Regulations Applicable to Projects in the City Limits or Extraterritorial Jurisdiction. Sponsor: Mayor Pro Tem Manassian**

This item was presented by City Attorney Laura Mueller who recommended approval followed by education via the city website and through direct contact with Building and Planning Departments.

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Crow, to approve the ordinance amending the landscaping and tree preservation ordinance. The motion to approve carried unanimously 5 to 0.

- 13. Public hearing, discussion, and consideration of approval of proposed amendments to the Standards of Care Ordinance, Chapter 16 Public Ways and Places, Article 16.02. Parks and Recreation, Division 3. Youth Programs' Standards of Care. Sponsor: Mayor Pro Tem Taline Manassian**

This item was postponed to date certain, March 25, 2025.

- 14. Discuss and consider approval of an Ordinance amending the Solicitation Ordinance with respect to the regulation of Itinerant Vendors and Special Events. Sponsor: Council Member Sherrie Parks**

a. Staff Report

Deputy City Attorney Aniz Alani presented along with Community Events Coordinator Johnna Krantz.

b. Public Hearing

No one spoke during the Public Hearing.

c. Ordinance

A motion was made by Council Member Parks and seconded by Council Member Crow, to approve the ordinance amending the Solicitation Ordinance with respect to the regulation of itinerant vendors and special events. The motion to approve carried unanimously 5 to 0.

15. Discuss and consider approval of an Ordinance Cancelling the 2025 Municipal Election.

The staff report was presented by City Secretary Diana Boone.

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Parks, to approve the ordinance cancelling the election. The motion to approve carried unanimously 5 to 0.

16. Discuss and consider approval of a Resolution revising the City of Dripping Springs Personnel Manual. Sponsor: Mayor Bill Foulds, Jr.

The staff report was presented by Human Resources Director Chase Winburn.

This item was briefly discussed and action was taken after Closed Session.

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Crow, to approve the Personnel Manual revisions but direct staff to make other related revisions related to the Human Resources Director and bring back further revisions as discussed in executive session on March 25, 2025.

The motion carried unanimously 5 to 0.

17. Discuss and consider Appeal of the Takings Assessment related to the Hardy Tract project. Appellant: Jamie Rose, Greenberg Traurig

a. Staff Report on Options

The staff report and options were presented by City Attorney Laura Mueller.

b. Appeal

Discussion of this item was moved to Closed Session under Section 551.071, Consultation with Attorney.

A motion was made by Council Member Tahuahua and seconded by Council Member

Crow, to partially uphold the Takings Assessment as to the 24 road and related drainage and reverse the Takings Assessment as to the sidewalk adjacent to the Hardy Driveway due to the unique circumstances that have been discussed.

The motion to approve carried with 4 yays and 1 nay by Mayor Pro Tem Manassian.

18. Discuss and consider approval of an Ordinance amending the Fiscal Year 2025 Budget related to Parks & Recreation Expenses. *Sponsor: Mayor Pro Tem Taline Manassian*

a. Staff Report

The staff report was presented by Parks & Community Services Director Andy Binz, requesting approval of the repair of the existing fence and the installation of a 10 ft. fence at the Sports & Recreation Park. The staff report is included in the agenda packet and made available to the public via our website.

b. Public Hearing

No one spoke during the Public Hearing.

c. Budget Amendment

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Parks, to approve an ordinance amending the FY 2025 Budget related to Parks & Recreation expenses and move monies earmarked and approved for restroom improvements to partially fund the fence.

The motion to approve carried unanimously 5 to 0.

19. Discuss and consider adoption of the Fiscal Year 2025 - 2026 Budget Calendar. *Sponsor: Mayor Bill Foulds, Jr.*

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Crow, to adopt the budget calendar as presented. The motion to approve carried unanimously 5 to 0.

20. Discuss and consider projects related to the proposed Certificates of Obligation. *Sponsor: Mayor Bill Foulds, Jr.*

No action was taken.

REPORTS

Reports listed are on file and available for review upon request. The City Council may provide staff direction; however, no action shall be taken.

21. Building Official Update on approved side setback variance for 406 Sue Peaks Loop. *Shane Pevehouse, Building Official*

No action was taken.

CLOSED SESSION

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member King, to go into Closed Session with items 16, and 22-24, under sections 551.071 and 551.072. The motion carried unanimously 5 to 0.

Closed Session started at 8:31 p.m. and ended at 9:53 p.m.

The City Council has the right to adjourn into closed session on any item on this agenda and at any time during the course of this meeting to discuss any matter as authorized by law or by the Open Meetings Act, Texas Government Code Sections 551.071 (Consultation With Attorney), 551.072 (Deliberation Regarding Real Property), 551.073 (Deliberation Regarding Prospective Gifts), 551.074 (Personnel Matters), 551.076 (Deliberation Regarding Security Devices or Security Audits), and 551.087 (Deliberation Regarding Economic Development Negotiations), and 551.089 (Deliberation Regarding Security Devices or Security Audits). Any final action or vote on any Closed Session item will be taken in Open Session.

- 22. Consultation with Attorney and Deliberation Regarding Real Property related to TIRZ Priority Projects and Other Potential Strategic Real Property Acquisitions.** (*Consultation with Attorney, 551.071; Deliberation Regarding Real Property, 551.072*)
- 23. Consultation with City Attorney related to legal issues regarding land use, economic development, waiver process, and infrastructure requirements and rough proportionality.** (*551.071, Consultation with Attorney*).
- 24. Consultation with Attorney regarding legal issues related to the South Regional Water Reclamation Project, Wastewater, and Amendment 2 Permits, Wastewater Service Area and Agreements, Water Service and Agreements, Wastewater Fees, Wastewater Infrastructure Agreements, facility liability coverage, and related items.** (*Consultation with Attorney, 551.071*)

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Tahuahua, to move item 22 out of Closed Session. The motion carried unanimously 5 to 0.

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Parks, to approve the Weichert agreement as presented. The motion to approve carried unanimously 5 to 0.

ADJOURN

A motion was made by Mayor Pro Tem Manassian and seconded by Council Member Parks, to adjourn the meeting. The motion to adjourn carried unanimously 5 to 0.

The meeting adjourned at 10:06 p.m.



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

Submitted By: Chase Winburn, Human Resources Director

Council Meeting Date: 4/1/2025

Agenda Item Wording: **Approval of a Resolution revising the City of Dripping Springs Personnel Manual.**

Agenda Item Requestor: Chase Winburn

Summary/Background: After the March Council Meeting, City Council requested additional title changes and edits to Human Resources Authority. These changes have been made.

**Commission
Recommendations:**

**Recommended
Council Actions:** Recommend Approval

Attachments: Drafted Personnel Manual and Resolution.

Next Steps/Schedule: Send to City Secretary for execution

CITY OF DRIPPING SPRINGS
RESOLUTION NO. 2025-_____

A RESOLUTION OF THE CITY COUNCIL OF DRIPPING
SPRINGS, TEXAS, REVISING THE PERSONNEL MANUAL.

WHEREAS, each city should have a personnel manual directed to its employees to provide guidance on the duties and responsibilities of the city and the employees; and

WHEREAS, the City Council of the City of Dripping Springs (“City Council”) finds it to be in the public interest, and necessary for the public health, safety and welfare, that the City of Dripping Springs *Personnel Manual* be updated from time to time to reflect current state and federal law and city practices related to city employees; and

WHEREAS, the City Council of the City of Dripping Springs finds it to be in the interest of hiring and retaining employees to provide a comprehensive Personnel Manual that is regularly updated; and

WHEREAS, the City Council finds that it is reasonable and prudent for this amendment to the *Personnel Manual* to be adopted.

NOW, THEREFORE, BE IT RESOLVED by the City of Dripping Springs City Council:

1. The City Council hereby approves the amendment to City of Dripping Springs *Personnel Manual* pursuant to *Exhibit A*, attached.
2. The City Council approves the funds necessary for these personnel actions, as provided in the budget for the current fiscal year.
3. The City Council directs City staff to work with the Mayor and City Administrator to acknowledge the amendment to the *Personnel Manual* and receive training and information on the amended *Personnel Manual* under the direction of the Mayor and City Administrator.

PASSED & APPROVED this, the _____ day of _____ 2025, by a vote of ___ (ayes) to ___ (nays) to ___ (abstentions) of the City Council of Dripping Springs, Texas.

CITY OF DRIPPING SPRINGS:

by: _____
Bill Foulds, Jr., Mayor

ATTEST:

Diana Boone , City Secretary

ATTACHMENT “A”



City of Dripping Springs
**PERSONNEL
MANUAL**

*The Handbook Of
Benefits, Policies & Procedures
For Employees of the
City of Dripping Springs*



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SECTION 1: INTRODUCTION

1.01 Policies Established

These policies and all amendments hereto shall be the official personnel policies of the City. The City retains the right to unilaterally change policies in this Manual and will advise employees of those changes. All prior policies are hereby repealed.

1.02 Purpose

This Manual is adopted by the City Council as a guidance document, not a contract. Through this Manual, the City Council strives to bring uniformity, consistency, and fairness to its employment practices.

1.03 Applicability

These policies apply to all City employees, except where inconsistent with state law, federal law, City ordinance, or the particular agreement hiring a specific employee. In the event of such inconsistency, the state or federal law, ordinance, or agreement shall prevail.

1.04 Objectives

The City seeks to achieve these objectives through the systematic, uniform application of modern personnel practices. The City's personnel policies strive to:

- (a) promote and increase productivity, efficiency, and responsiveness to the public, and economy in the City service;
- (b) provide fair and equal opportunity for qualified persons to enter and progress in the City's service in a manner based on merit and fitness;
- (c) maintain recruitment, advancement, and other practices to enhance the attractiveness of a City career;
- (d) develop and maintain consistent, up-to-date position classifications and compensation plans;
- (e) develop high morale among City employees by fostering good working relationships, and by providing uniform personnel policies, opportunity for advancement, and consideration of employee needs and desires;
- (f) retain employees on the basis of the adequacy of their performance, correct inadequate performance, and separate employees whose inadequate performance cannot be corrected; and

- (g) assure that employees are protected against coercion for partisan political purposes and are prohibited from using their positions with the City for the purpose of interfering with or affecting the results of any kind of official election.

1.05 At-Will

- (a) All employees of the City serve at-will except those who are a party to a City Council approved employment agreement. Any City Council approved employment agreement preempts any provision of these policies where there is any conflict.
- (b) These policies and the benefits described herein do not constitute a contract of employment or a contract between the City and any employee to provide any benefit. Nothing contained herein shall create an entitlement to, or property interest in, continued employment with the City.
- (c) The City may alter, modify, amend, or terminate any of the policies or benefits set forth herein at any time, with or without notice. Notwithstanding any statement contained in these policies, or in any other document or statement issued by the City or any of its representatives to the contrary, the City shall have the right to terminate any employee from employment with the City, at any time, with or without cause, subject to state and federal law.

1.06 Dissemination

The City shall make every effort to thoroughly acquaint employees with the materials in these personnel policies and any subsequent revision. Copies of these policies and all amendments shall be furnished to each employee. Notwithstanding the foregoing, it is each employee's responsibility to become familiar with the contents of these policies, and to ask questions when necessary, for a full understanding.

1.07 City Administrator

The term "City Administrator" as used in this Manual includes the City Administrator, a Deputy City Administrator, and others specifically designated by the City Administrator to act as agents.

1.08 Chain of Command

Each employee has a supervisor who should be consulted should any work issue arise. If the supervisor is unavailable, or a response is determined by the employee to be inadequate, the employee may discuss the issue with the Department Director, ~~the People & Communications Director (PCD)~~, Human Resources Director, a Deputy City Administrator, or City Administrator, unless a different procedure is described herein. The supervisory chain of command for each employee shall be listed in the employee's job description. Engaging in activity outside the chain of command as relates to employment matters is detrimental to the employment relationship and harms the ability of the City to react effectively and consistently when presented with employee issues. Each month the City Administrator

shall prepare a report for the mayor that lists the hiring, termination, staffing levels, and significant employee actions.

1.09 Core Values

City of Dripping Springs (COD) Texas



Core Values - **C O D S T X**

- **Community** - support, connection, value through relationships
- **Openness** - open and accepting, transparency, communication
- **Dependability** - trust, teamwork, honesty, responsive, available
- **Service** - safety, sincerity, smiles, self-respect
- **Teamwork** - working together for common goals
- **Excellence** - quality, commitment, professional, greatness, brilliance

SECTION 2: CLASSIFICATIONS

2.01 Classifications Listed

There are 5 classifications of employees with the City:

- (1) Full-Time—Exempt;
- (2) Full Time—Non-exempt;
- (3) Part-Time—Regular;
- (4) Temporary;
- (5) Seasonal; and
- (6) Event/Intermittent.

While not considered an “employee” under this Manual, a sixth classification is Contract Services. Volunteers who are not employed by the City in any capacity are not generally governed by this Personnel Manual but will be reviewed in the same manner as an employee as it relates to conduct and ethics as applicable. Employees who volunteer for the City in a capacity other than their normal job functions will be governed by this Manual.

2.02 Full-Time—Exempt

Employees who work a regular schedule of more than 30 hours a week and meet the federal law requirements of an employee exempt from overtime shall be considered full-time—exempt if approved by the City through a job description. The employee’s average of hours worked per week is not considered when determining whether an employee is full-time—exempt.

Pursuant to the Fair Labor Standards Act, as may be amended (FLSA) and applicable state laws, exempt employees are those who qualify as such under the statute because they fall into one of the exempt categories. Exempt employees are not entitled to overtime compensation pay (but are entitled to compensatory time, as explained elsewhere).

Employees are only considered exempt if: (1) they meet the federal requirement; and (2) the approved job description designates the employee as exempt.

2.03 Full-Time—Non-exempt

Employees who work a regular schedule of more than 30 hours a week and who are not exempt employees based on their job duties or compensation shall be considered full-time—non-exempt. The employee's average of hours worked per week is not considered when determining whether an employee is full-time—nonexempt. Non-exempt employees are eligible for overtime pay if the employee works more than forty (40) hours in a 7-day work period. The 7-day work period runs from Monday to Sunday.

2.04 Part-Time—Regular

Employees who work a regular schedule of less than 30 hours a week shall be considered part-time.

2.05 Regular

Any employee who works for an indefinite period of time (not temporary, seasonal, or event/intermittent) shall be considered regular employees.

2.06 Temporary

Employees who work for a short period of time shall be considered temporary employees.

2.07 Seasonal

Employees who work solely for a specific time of year shall be considered seasonal employees. Seasonal employees may not be employed more than three months in any one year and should start and end employment around the same time every year except when also employed as an event/intermittent employee.

2.08 Event/Intermittent

Employees who work at special events or intermittently at any time of the year on an occasional basis. Seasonal and temporary employees may work as event/intermittent employees.

2.09 Contract Services

At the discretion of the City Council, officer or employee positions may be staffed by professional services providers on a contract basis.

SECTION 3: HIRING

3.01 Hiring Authority

The City Council is the hiring authority for all City officers as described in Local Government Code Chapter 22 or as otherwise designated by the City Council. These officers include City Administrator, Deputy City Administrators, City Secretary, City Attorney, People & Communications Director, Human Resources Director, Parks and Community Services Director, City Treasurer/Finance Director, Maintenance Director,

Utilities Director, Building Official, Planning Director, ~~Emergency Management Coordinator~~Director of Emergency Preparedness and Homeland Security, and others designated by City Council.

The City Administrator has the authority to hire any position if such hiring is not required to be authorized by the City Council pursuant to this provision or other resolution or ordinance. The City Administrator may delegate hiring positions to a department head. For exempt employees of Dripping Springs Ranch Park, the Chair of the Dripping Springs Ranch Park Board of Directors may be involved in the hiring process as described by city ordinance and park rules and policies. The City Administrator has the authority to hire any Dripping Springs Ranch Park position, other than those listed above as hired by the City Council but may consider the input of the Chair of the Dripping Springs Ranch Park Board, if any, in making the hiring determination.

3.02 Interim Appointment

When an emergency exists that requires the services of personnel who are not otherwise available, such employees may be immediately hired by the Mayor or City Administrator for a period not to exceed 90 days without regard to normal recruitment and selection requirements. If the hiring of the interim employee is not confirmed by the primary hiring authority for that position or the City Council within the 90-day period, the employee is considered to be automatically discharged as of the 91st day. Any interim appointment of a position for which the City Council is the primary hiring authority shall be brought to the City Council at the next regular City Council Meeting.

3.03 Background Checks

- (a) Background Processing. Some or all of the following background checks may be conducted for applicants for employment and certain volunteers:
- (1) Social Security Verification. Validates the applicant's Social Security number, date of birth, and former addresses.
 - (2) Prior Employment Verification. Confirms the applicant's employment with the listed employers, including dates of employment, the position held, and additional information available about performance rating, the reason for departure, and eligibility for rehire.
 - (3) Personal and Professional References. Correspondence or in-person contact will be made to individuals listed as references by the applicant.
 - (4) Educational Verification. Confirms the applicant's educational institution, including the years attended and the degree/diploma received.
 - (5) Criminal History. Includes a review of criminal convictions and probation. The existence of criminal convictions is not an automatic prohibition on City employment. The following factors will be considered for applicants with a criminal history:
 - (A) The nature of the crime and its relationship to the position.
 - (B) The time since the conviction.
 - (C) The number (if more than one) of convictions.
 - (D) Whether hiring, transferring, or promoting the applicant would pose an unreasonable risk to the city, its employees, or its citizens and vendors.

(6) Motor Vehicle Records: provides a report on an individual's driving history in the state requested. This search will be conducted when driving is an essential requirement of the position.

(b) The Human Resources Director will notify the department head/supervisor regarding the findings of the background check. The department head will assess the potential risks and liabilities related to the job's requirements and determine whether the individual should be hired. If a decision not to hire an individual is made based on the results of a background check, the Human Resources Director will make notification to the applicant.

3.04 Notice

(a) The Human Resources Director or the Director's Designee shall provide, by appropriate means, public notification of vacancies to be filled within the City service and shall maintain a list of current announced vacancies for public inspection. Notice is not required for those vacancies to be filled internally via promotion, transfer, temporary promotion, or reinstatement.

(b) Each job announcement, insofar as practicable, shall specify the title, nature of the job, required minimum qualifications, proposed rate of pay, and the deadline for and method of application.

(c) All job openings shall be posted on the City Website and any other location as deemed appropriate and best designed to hire the most qualified candidate. The City Administrator and the Human Resources Director may post any existing position regardless of hiring authority as soon as a vacancy exists. The City Administrator and the Human Resources Director may post for a new position as soon as the job description and creation of the position is approved by City Council.

3.05 Evaluation

The City Administrator and Human Resources Director shall determine the most appropriate means of evaluating applications against job requirements to identify the best qualified applicants. Interviews, background checks (criminal and credit), written tests, and/or other screening procedures may be used as appropriate. Applicants shall be required to provide any job-related information necessary to demonstrate compliance with prescribed minimum qualification requirements for the positions involved.

3.06 Residence

There shall be no residence requirement for City employment, except as may be provided by law. Employees likely to be called to work in cases of emergency may be required to reside within reasonable commuting ranges of their places of work as may be specified in their job description.

3.07 Orientation and Introductory Period

The Human Resources Director shall provide orientation to all city employees, in coordination with the Finance Department, IT Department, and the employee's supervisor, including required benefit and financial paperwork, review of job description and duties, required training, core values, department specific policies, disclosure of personal information, and personnel manual.

All employees shall serve in an introductory capacity for the first 90 days of employment, promotion, or reassignment. During this introductory period, new employees shall be subject to close evaluation. New employees shall not be entitled to standard employee benefits, including paid leave, except to the extent specifically authorized by this Manual. However, (1) health benefits begin the first day of the month following the start date or as designated by the health coverage provider; and (2) TMRS benefits begin immediately upon full-time eligible employment with the City. Completion of the introductory period does not alter the at-will relationship, create a property interest in employment for any duration, or obligate the City to retain the employee for any certain duration. If this policy conflicts with a separate employment agreement with an employee or an employment benefits provider, the employment agreement prevails over the personnel policy.

3.08 Youth Employment

It is the policy of the City of Dripping Springs that no individual under the age of fifteen (15) shall be hired. Applicants between the ages of fifteen (15) and eighteen (18) shall be required to show proof of age to the satisfaction of the City Administrator or the Administrator's designee. Employees under the age of eighteen (18) shall not have duties or perform work that is prohibited by state or federal law.

3.09 Job Descriptions

The City Council shall be the approving authority for all new positions. All positions shall have a job description which includes exempt or non-exempt status of employee. The City Council shall be the approving authority for all job descriptions for new positions and for all positions hired by the City Council. The City Administrator may make minor amendments to any job description in consultation with the Human Resources Director, the City Attorney, and the Mayor.

3.10 Nepotism

- (a) No person who is related within the second degree of affinity or within the third degree by consanguinity to any elected officer of the city is eligible for any office, position, clerkship or other service of the city. This prohibition does not affect an officer or employee within the named degree, who has already served at least two years of employment with the city at the time when the elected officer takes office.
- (b) No employee may work in a position which is in the line of supervision of a person who is related within the second degree of affinity or third degree of consanguinity or anyone living in the same household as the employee.

- (c) In the case of a marriage of two (2) existing employees, or other situation giving rise to a relationship prohibited by this policy, the individuals concerned will decide who will terminate or modify employment. If no decision can be made within 30 calendar days, the City Administrator, or their designee, will decide. At any time, either employee is free to apply for a different position with the city for which they are qualified, and that would eliminate a violation of this policy.
- (d) **Affinity (Marriage Relationships): First Degree/Second Degree** Spouse Spouse's Grandparents Father-in-law Spouse's Grandchildren Mother-in-law Brother-in-law Son-in-law Sister-in-Law Daughter-in-law
- (e) **Consanguinity (Blood Relationships): First Degree/Second Degree/Third Degree** Mother Grandmother Great-Grandmother Father Grandfather Great-Grandfather Daughter Granddaughter Great-Granddaughter Son Grandson Great-Grandson Brother Uncle Sister Aunt Niece Nephew Half-blood relationships fall within the same degree as those of full blood. Step relationships by affinity (marriage) fall within the same degree as those by consanguinity (blood). For example, a stepson would be considered the same as a son. An adopted child is considered the child of the adoptive parents.

SECTION 4: COMPENSATION

4.01 Appropriations

Wages, salaries, and working schedules for all employees shall be in accordance with the provisions of the City budget currently in effect, including amendments, and within the limitations of the financial provisions of each department, as approved by the City Council for each fiscal year.

4.02 Timesheets and Time Clock

- (a) **Timesheets:** Each exempt employee as defined in Section 2.02 of this Manual is required to turn in the employee's timesheet by the final day of each pay period (see 4.03(a)) to the Department Head. Each Department Head must approve and submit the approved timesheets to the City Treasurer by 9:00 a.m. the next business day following the final day of each pay period. Absences for the pay period must be submitted with each time sheet.
- (b) **Time Clock:** Each non-exempt employee as defined in Section 2.03 of this Manual is required to use the Time Clock to clock in and out each day with the employee's timecard if the employee works at the site where a time clock is located and accessible. Each employee is required to sign the employee's timecard agreeing that the time card accurately and completely reflects all time worked during the period in question and that no hours were worked that do not appear on the card. It is a violation of city policy to:

- (1) allow another to clock in or out for the employee;
- (2) fail to clock in when the employee arrives;

- (3) fail to clock out when the employee takes a lunch break or leaves work;
- (4) fail to submit all hours worked; or
- (5) fail to follow time clock policies or procedures issued by the City Administrator.

Any failure of this policy may result in disciplinary action.

A non-exempt employee may use a time sheet if approved by the employee's supervisor and/or whose primary work location is at a location that does not have a time clock shall use a time sheet.

Any discrepancy between the timecard and the employee's work hours requires notification to the employee's supervisor within seventy-two (72) hours whether the discrepancy is based on employee error or time clock malfunction. Only an employee's supervisor, the City Administrator, or a Deputy City Administrator may make manual changes to an employee's timecard or time sheet. Time recorded will be the work-time paid or employees will be paid from time sheets verified by actual recorded times. Any adjustments to the recorded time on a timecard or time sheet must be approved by the employee's supervisor. Supervisors will be accountable to the City Administrator for any manual changes submitted.

4.03 Payment Procedures

- (a) Employees will be paid every other Friday. Approved timesheets must be turned in by 9 a.m. on the first business day following the end of each pay period. If a payday is scheduled for a City holiday, the payday will be processed the day before the City holiday or holidays.
- (b) Paychecks shall not be given to third parties without the express written authorization of the affected employee or as required by state law.
- (c) If an employee receives a paper paycheck and is absent on a scheduled payday, the employee's paycheck shall be held until the employee returns, unless a written request for other arrangements has been delivered to the City Administrator prior to such payday.
- (d) Direct deposit for employee paychecks is encouraged. To enroll in direct deposit, an employee shall complete the form provided by the Accounting Department and the form must be signed in ink and the original must be submitted to Accounting.

4.04 Overtime

- (a) Overtime commences for each hour a non-exempt employee works beyond the standard 40-hour week in the seven-day work period. Overtime shall not be calculated to include vacation, sick leave, or any other paid leave taken during the same seven-day work period as "hours worked." Hours worked for purposes of overtime are any hours

- worked in the seven-day work period and include holiday hours. Special pay for work during non-business hours, nights, or weekends will not be given unless otherwise specified in this manual.
- (b) All nonexempt employees are eligible for overtime compensation in accordance with the FLSA.
 - (c) Overtime compensation shall be calculated in accordance with Section 5.03(f).
 - (d) Each non-exempt employee shall be responsible for notifying the employee's supervisor if an assignment cannot be completed within the employee's regular 40-hour workweek. No employee shall work overtime unless the employee's supervisor has determined that such overtime is required. Any employee who works unapproved overtime shall be paid, but may be subject to discipline.
 - (e) All exempt employees are entitled to compensatory time. Compensatory time shall accrue in accordance with §5.03(f) (below).
 - (f) An employee who requests the use of accrued compensatory time shall be permitted to take such leave within a reasonable period after making the request unless the employee's absence would unduly disrupt the operations of the City.

4.05 Raises, Merit Increases, and Cost of Living Adjustments

City Council has the sole authority to pass ordinances affecting pay scales. Raises, merit increases, and cost of living adjustments shall be considered at the time of annual employee evaluations or when brought to the City Council by the City Administrator. An employee who desires to request a raise or merit increase at a time other than at the time of annual employee evaluation, may make the request in writing to the employee's supervisor and the City Administrator. The City Administrator, in consultation with the employee's supervisor, shall decide whether to bring a recommendation for a pay raise or merit increase to the City Council.

4.06 Promotions

When possible, job openings within the City are filled by promoting qualified employees. A promotion is based on several criteria which includes, but is not limited to, performance in the employee's current job, attitude, attendance, punctuality, experience and interest in the City and qualifications for the open position. An employee applicant will be considered in a fair and appropriate manner as would any applicant. After considering qualifications, experience, etc., an opening will be filled by the person best qualified for the position. All promotions are made without regard to race, color, religion, sex, age, national origin, disability, or marital status. No supervisor may alter the terms of employment from "at-will" to a contracted relationship due to a promotion of an employee to a different position without approval from City Council.

4.07 On Call Policy

(a) Roles and Responsibilities

(1) Department Directors:

- (A) The City Administrator, Deputy City Administrators, the Maintenance Director, Utilities Director, Dripping Springs Ranch Park Manager, ~~Emergency Management Coordinator~~ Director of Emergency Preparedness and Homeland Security, and the Parks and Community Services Director, will schedule employees for On-Call duty. Priority will be given to employees who volunteer for duty and have the necessary knowledge and skills for On-Call duty.
- (B) The City Administrator, Deputy City Administrators, the Maintenance Director, Utilities Director, Dripping Springs Ranch Park Manager, ~~Emergency Management Coordinator~~ Director of Emergency Preparedness and Homeland Security, and Parks and Community Services Director will oversee the On-Call schedule, duties, and concerns of On-Call Employees at City facilities.
- (C) No employee may be scheduled more than three weeks in a row for On Call Duty. In addition, the ~~Emergency Management Coordinator~~ Director of Emergency Preparedness and Homeland Security or ~~the Coordinator's~~ Designee shall ensure that all employees are provided adequate rest time when called to work during emergency situations.

(2) Employees who are On-Call:

- (A) Inform Department Director of availability for On-Call duty.
- (B) For the week of On-Call duty:
 - i Obtain the City-Issued Cellphone prior to beginning of week (if available).
 - ii Answer all inquiries or after-hours emergencies either by phone or on-site.
 - iii Stay within 30 minutes of the City of Dripping Springs. (Employee is not required to stay on-site when On Call).
 - iv Are not allowed to be under the influence of alcohol or any other substance when On-Call.
 - v May use a City Vehicle for their On-Call duties and commuting solely while on On-Call duty in order to benefit the City.
 - vi On-Call Employees may be issued a City-Issued Cell Phone to respond to all On-Call calls.
- (C) Failure to follow these requirements can result in limitations to On-Call duty in the future and other discipline as allowed by the Personnel Manual.

(b) Compensation for On-Call Duty

- (1) On-Call Employees will receive a stipend of \$200 for each week per month they are On-Call.
- (2) On-Call Employees will receive pay for the time they actually work which begins when the Employee responds to an On-Call request.
 - i Non-exempt: receive hourly wage or overtime. Any hours worked during On Call time by a non-exempt, full-time, regular employee is eligible for Overtime Pay.
 - ii Exempt: receive compensatory time off if in the week of On-Call hours worked the total hours worked are over 40 hours in the 7-day work period.

4.08 Longevity Pay

The City provides regular employees longevity pay, at the budgeted rate for each full year of service, up to a maximum of 20 years. Employees with less than one year of service shall receive a budgeted amount up to an amount equal to one year of service.

4.09 Employee Referral Incentive Program

- (a) The City provides new employees retention and sign-on incentives for new and returning seasonal employees. The incentives are paid based on the Employee Referral Incentive Program Policy. Only one retention or sign-on incentive per fiscal year per new or returning employee is authorized.
- (b) The City provides current city employees who recruit an individual who starts employment with the City whom the employee recruits. The incentive is for the recruitment of permanent and seasonal employees.
- (c) Employees who are a supervisor, hiring authority for the position, or make a recommendation on the hiring for a position, including the Human Resources Director are ineligible. Event or Intermittent employees are also not eligible. Event and Intermittent employees, as defined by Section 2.08 of this manual, are employees who work special events (e.g., City festivals or Winter Wonderland, etc) or intermittently at any time of the year for the City on an occasional basis.
- (d) There is no limitation on the number of employees or employee referral incentives that can be earned by current employees. The incentives are paid based on the Employee Referral Incentive Program Policy. Employees must request a referral incentive from the Human Resources Director in writing. The referred candidate will be reviewed by the Human Resources Director and/or City Attorney. Any disputes or interpretations of a referral will be handled by the City Attorney.

SECTION 5: BENEFITS

5.01 Insurance

The City provides varying types of insurance coverage, which includes hospitalization, major medical, life, long-term disability, and dental for full-time, regular employees only. The types of insurance coverage, and the required employee participation, may vary from year to year. Upon employment, an application for coverage shall be completed on the employee and forwarded to the insurance company. The application must be submitted before coverage will become effective. If an employee is on unpaid leave for longer than thirty consecutive days, the absence may affect the employee's insurance coverage and may result in the loss of paid coverage by the City. If this occurs, the employee will be offered continuation of health coverage at the employee's cost (COBRA) for the time of unpaid leave to the extent required by law.

5.02 Workers' Compensation

(a) Workers' Compensation coverage is provided for all employees.

(b) In the event of a job-related injury, a standard Workers' Compensation claim form must

be completed and submitted to the City Administrator within forty-eight (48) hours of the accident causing the injury, or within forty-eight (48) hours from the time the employee is physically able to do so. Contact the City Administrator to obtain the necessary form(s).

5.03 Leave

(a) Employees are generally not required to work on City holidays. The City may choose to observe the day preceding or following a holiday's official date. Each year the City Council will adopt the official City Calendar and that shall be the official list of City Holidays for employees for that year. City holidays are as follows, but are subject to change pursuant to City Council discretion:

- New Year's Day
- Martin Luther King's Birthday (third Monday in January)
- Washington's Birthday (Presidents Day) (third Monday in February)
- Memorial Day (last Monday in May)
- Juneteenth
- Fourth of July
- Labor Day (first Monday in September)
- Columbus Day (second Monday in October)
- Veterans Day (November 11)
- Thanksgiving Day and the Day after Thanksgiving
- Christmas Eve
- Christmas Day
- New Year's Eve

In addition, each employee will be given 1-personal floating day to use as needed. Personal day will not carry over to following year. Full-time, exempt employees required by their supervisors to work on a holiday shall be given the same amount of substitute time off as is worked, up to 8 hours substitute time off with pay on another date. Regular, part-time employees are eligible for holiday pay on a pro-rated basis. Holiday hours are considered hours worked for the purpose of compensatory time off for exempt employees and for overtime for non-exempt employees. An employee on unpaid leave on a designated holiday, or in a non-pay status on a scheduled workday immediately preceding or immediately following a designated holiday, shall not receive pay for the holiday. An employee on preapproved vacation leave on a designated holiday, or any type of paid leave, shall not have the holiday deducted from his or her leave time.

(b) **Religious Observance:** Employees desiring to observe religious holidays not coinciding with an officially designated City holiday may be given time off without pay, or may be authorized to use accrued vacation leave, a floating holiday, or compensatory time.

(c) **Vacation:** Upon hire, full-time, regular employees shall be given 40 hours of

vacation and will additionally commence to accrue paid vacation as follows: 7 hours each month if employed less than 1 year; 10 hours per month if employed 1 to, but less than 10 years. A full-time regular employee who has been employed more than 10 years shall receive 14 hours per month of vacation leave. Each regular employee will be eligible to use vacation hours after successfully completing a 90-day introductory period.

Vacation leave shall accrue on a prorated basis each year of employment. All requests for vacation leave are subject to the City's staffing needs and must be approved in advance by the supervisor or Department Head. On January 1st of each year accrued vacation time will be reviewed for each employee and any accrued vacation hours over 120 hours shall expire. Accrued vacation leave that has not expired will be paid out when an employee leaves service with the city up to 112 hours if an employee has been employed for at least six continuous months with the city. Supervisors shall keep the Department Heads and the Human Resources Director informed of their employees' planned vacation time off.

- (d) Sick Leave:** Full-time, regular employees shall commence to accrue paid sick leave at the rate of 4 hours per month upon full-time employment with the city. Sick leave may be taken as accrued when an employee is ill, to attend doctor/dentist appointments, or to care for a member of the employee's household. Employees unable to work because of unexpected illnesses shall notify their immediate supervisor as soon as reasonably possible. The City may require a physician's verifying statement for any illness that exceeds 3 working days within a two-week pay period, or in the event of excessive absences or absences of extraordinary duration. Sick leave may be carried over to subsequent fiscal years. Accrued sick leave will not be paid out when an employee leaves service with the city. Any employee who exhausts sick leave due to illness may substitute vacation leave or other appropriate paid leave during the time of the illness. Leave that is eligible for Family Medical Leave Act is governed by Section 5.07 of this Manual.
- (e) Injury Leave:** An employee injured on-the-job shall receive benefits as provided in the City's Workers' Compensation coverage. Nothing herein shall prevent an employee from using accumulated sick leave, vacation leave, or compensatory time off during an absence due to injury. An employee shall immediately report any injury incurred in the line of duty, however minor, to a supervisor, and take such first aid treatment as may be necessary. In the event of a job-related injury, a standard Workers' Compensation claim form must be completed and submitted to the City Administrator within forty-eight (48) hours of the accident causing the injury, or within forty-eight (48) hours from the time the employee is physically able to do so.
- (f) Compensatory Time:** Salaried, exempt employees will receive compensatory time with pay at a rate of one hour comp time for every hour worked over 40 in a standard seven-day work period (**1:1**). Compensatory Time may be taken as accrued. Holiday hours are considered hours worked for purposes of compensatory time off.

Compensatory time may be carried over to subsequent fiscal years. Compensatory Time of more than 100 hours may not be carried over to the next fiscal year. The City may either: (1) recommend time off for the employee to use Compensatory Time off; or (2) shall exchange pay for Compensatory Time, at the City Administrator's discretion for payouts of 100 hours or less where the hours cannot be carried over and the employee does not take the hours as paid time off. The Mayor may approve an additional payout of 20 hours of compensatory time off. For payouts of over 120 hours not approved by the Mayor, the issue may only be approved by City Council. This section does not apply to compensatory time off earned in lieu of overtime for nonexempt employees.

- (g) Civic Leave:** Each January 1st each full-time, exempt and non-exempt, regular employees shall accrue 8 hours of paid leave toward satisfying civic activities, such as voting, and donating blood. New employees accrue the 8 hours of Civic Leave upon employment. Civic Leave may be taken as accrued. In addition, employees are provided paid civic leave for jury service. Employees granted civic leave for jury service shall retain all juror fees. Employees excused or released from jury service during working hours shall report to their work stations, unless otherwise instructed. Civic leave may not be carried over to subsequent fiscal years.
- (h) Bereavement Leave:** Bereavement leave shall be available to any full-time or part-time regular employee. Bereavement leave shall not exceed twenty-four work hours within sixty (60) days of the death of a family member or a member of the employee's household and shall be prorated for part-time regular employees. Bereavement Leave may be taken as accrued. Bereavement leave is available upon the death of an immediate family member or a member of the employee's household. Immediate family member includes children, spouse or partner, parent, grandparent, grandchild, or sibling, whether related by blood or marriage. A member of the employee's household includes any individual who resides with the employee. Bereavement leave is available for each death meeting the above criteria.
- (i) Parental Leave:** Each pregnant employee shall be treated the same as other similarly situated employees regarding requests for sick leave and for accommodations related to performing the essential functions of the job. Pregnant employees and employees with illnesses or disabilities arising from pregnancy or maternity shall be entitled to benefits on the same basis as employees with other types of illnesses or disabilities. The employee will be entitled to resume work following the end of the pregnancy when the employee is able to perform all job duties and has obtained a physician's release to return to duty. Parental Leave intended for the care of a child by a parent or guardian shall be handled as outlined in the Family and Medical Leave Act policy.

(j) Military Leave:

- (1)** The City complies with the Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA), as amended. USERRA is a federal statute that protects employees who engage in military duty in the uniformed services. The

exception to the “at-will” doctrine contained in USERRA applies only to this section of the Personnel Manual regarding military leave.

- (2) Military leave shall be approved leave for regular, full-time employees of the City who are members of the state military forces or members of the reserve components of the Armed Forces of the United States.
 - (3) The paid military leave period is measured as the fiscal year October 1 through September 30.
 - (4) Employees may elect to continue medical benefit coverage under COBRA for the duration of the military leave unless covered under the provisions of FMLA.
 - (5) All requests for leave should be accompanied by a copy of the order, directive, notice, or other documents requiring absence from scheduled work.
 - (6) An employee who is a member of the state military forces or a reserve component of the armed forces will be granted up to fifteen days of paid leave per fiscal year for days on which the employee is engaged in authorized training or duty ordered or authorized by the Texas military pursuant to Chapter 437 of the Government Code:
 - (1) All requests for leave must be accompanied by a copy of the order, directive, notice, or other document requiring absence from scheduled work.
 - (2) Leave pay will not be granted for hours before or after the regularly scheduled working hours or for overtime hours scheduled.
 - (3) No employee using Chapter 437 military leave will be discriminated against for use of this leave or lose any work benefit while using this leave.
- (k) Administrative Leave:** In circumstances not falling within other provisions of these policies, the City Administrator or Mayor may authorize an employee to take leave *without pay* under such terms and conditions as may be mutually agreeable. The City Administrator or Mayor may authorize an employee to take up to eighty (80) hours of leave with pay within a twelve-month period when it is in the best interest of the City and staff. Any request for administrative leave exceeding eighty (80) hours within a twelve-month period must be approved by the City Council.
- (l) Unauthorized Absence:** Employees who are absent from work without having provided notice, obtained a supervisor’s approval, provided a legitimate excuse, or who fail to return from scheduled time off without notice, may be deemed to have abandoned their position. Abandonment of an employment position may lead to disciplinary action or the determination that the employee has resigned.
- (m) Donation of Paid Time Off:** One or more employee may donate accrued paid time off, including sick leave, vacation leave, or compensatory time off hours to another

employee if: (1) the receiving employee has exhausted all paid time off or will exhaust the paid time off during the expected leave time; (2) the receiving employee is requesting leave for a reason listed above where the employee would normally have paid time off but has exhausted the employee's paid leave; and (3) the supervisor of the receiving employee and the city administrator gives their approval. A receiving employee may not: (1) use donated time off for vacation leave; or (2) use donated time off for more than twelve (12) weeks in one twelve (12) month period.

(n) Partial Day Absences:

- (1) Partial Day Absences of less than eight hours where an exempt employee, as defined in Section 2.02 of this Manual, is unavailable for work shall:
- (a) be charged to accumulated time off such as vacation, compensatory time off, sick leave, or other paid leave as appropriate; or
 - (b) be taken as leave without pay if all paid leave is exhausted.
- (2) An exempt employee requesting an absence of less than eight hours due to unavailability, and who has exhausted all paid leave, shall request approval of unpaid leave from the City Administrator or Mayor pursuant to Section 5.03(1) pursuant to this Manual or request Donation of Paid Leave under certain circumstances as defined in Section 5.03(n).
- (3) Partial Day Absence leave is not required where the exempt employee is able to reach 40 or more hours in a 7-day work period and where such daily work periods are approved by the Department Head.

5.04 Retirement

The City participates in the Texas Municipal Retirement System (TMRS), through which retirement benefits are provided to each permanent employee who averages 1000 hours per year or more.

5.05 Training

The following educational opportunities are available, at the discretion of the Mayor and/or City Council, and subject to budget appropriations:

- (a) **Events:** Employees are encouraged to attend professional conferences, seminars and workshops reasonably related to municipal activities.
- (b) **Memberships:** The City may fund employee membership in professional development organizations. Membership activities must be related to the employee's position with the City. All memberships funded by the City must be approved by the City Administrator.
- (c) **Tuition Reimbursement:** The City may reimburse employees for the cost of tuition for the employee's continuing education. The degree program must be related to the employee's position with the City and approved by the Mayor and City Administrator

in advance. To be eligible for reimbursement, the program must be for: (1) certifications or licenses that are directly related to the employee's core job duties; or (2) course credit at a college or university accredited by the Texas Higher Education Coordinating Board. To be eligible for reimbursement, the employee must have received a grade of "B" or higher for that semester (or "pass" if the course is only offered "pass/fail"). The Mayor or City Administrator may approve up to three thousand dollars (\$3,000) of tuition reimbursement per calendar year. Requests above three thousand dollars (\$3,000) per year require approval by City Council. No minimum amount of tuition reimbursement is mandated or required by this policy but is solely at the discretion of the Mayor, City Administrator, and City Council. The approved written reimbursement agreement shall be attached to this Manual as Attachment "A".

- (d) **Travel Reimbursement:** Employees may submit reasonable travel expenses related to educational events, professional conferences, seminars, classes, and workshops that are reasonably related to municipal activities in writing to the City Administrator. These expenses may be reimbursed by the City on a case-by-case basis and travel reimbursement may be given for events whether or not the tuition, seminar, or conference fee is paid for by the City or the Employee.
- (e) **Employee Reimbursement for Training or Tuition Costs:** Each employee who receives training or accepts tuition for continuing education that costs more than \$1000 for one class, event, or related travel expenses for such training or schooling shall sign a written reimbursement agreement that states that they will reimburse the City for the costs related to the training or schooling if the employee separates from the City within two years of the date of the training if a single day, or the last day of the training if a multi-day event, or from the last day of classes for classes reimbursed by the City.

5.06 Uniform Policy

- (a) The City purchases uniform shirts, pants, shoes, and other clothing for certain employees of the City. The purchase of uniforms, amount, and type are set by the budget each year based on each department's budget. When an employee receives a uniform item from the City, the employee is responsible for keeping the item in good repair. If an employee purchases clothing, and the City pays for the logo, the employee may keep the clothing upon separation from employment. For items purchased by the City, the item must be returned to the City unless the item is released to the employee by the City Administrator.
- (b) All uniforms bearing a city logo and purchased by the City are considered City property and must be relinquished to the supervisor upon the end of the employee's employment with the city. If items are not returned, the City may pursue reimbursement for the amount spent

on that employee's City-purchased uniforms. Each department head is responsible for maintaining a list of City-purchased uniforms or logoed items and providing that information to the finance department.

- (c) Supervisors are expected to exercise reasonable diligence and to make a good faith effort to ensure the return of City-purchased uniforms upon termination of an employee. This includes keeping accurate records of what uniforms the City has purchased and who is in possession of each item. Such record shall be made available to the City Administrator and the finance department.
- (d) No identifiable part of the uniform shall be worn while off duty and not involved in an activity directly related to one's employment and assignments with the City. The uniform may be worn while commuting to and from the workplace. It is a violation of this policy to wear the uniform while in private, employed elsewhere, or when self-employed doing outside employment.

5.07 Family And Medical Leave Act (FMLA)

(a) Definitions

- (1) **12-Month Period:** A rolling 12-month period measured backward from the date the leave is taken.
- (2) **12-Month Service Member Period:** A single 12-month period measured forward from the first day Service Member Family Leave is taken.
- (3) **Child:** A biological, adopted, or foster child, a stepchild, a legal ward; or a child of a person standing in loco parentis, who is standing in the place of a parent, who is either under the age of 18 or age 18 or older and requires active assistance or supervision to provide daily self-care. A biological or legal relationship is necessary. A more detailed definition is provided in the Family and Medical Leave Act which is available from the ~~People & Communications Director's~~ Human Resources Director's office.
- (4) **Health Care Provider:** A Doctor of Medicine or osteopathy who is authorized to practice medicine or surgery (as appropriate) by the State in which the doctor practices; or any other person determined by the Secretary of Labor to be capable of providing health care services. A more expansive definition is provided in the Family and Medical Leave Act of 1993 which is available in the Human Resources ~~People and Communications~~ Department.
- (5) **Next of Kin:** The nearest blood relative of a Covered Service member.
- (6) **Parent:** A biological or adoptive parent or an individual who stands or stood in the place of a parent to an employee when the employee was a child. This term does not include parents-in-law.
- (7) **Serious Health Condition:** An illness, injury, impairment, or physical or mental condition that involves:
- (A) Any period of incapacity or treatment that results in inpatient care (i.e., an overnight stay) in a hospital, hospice, or residential medical care facility;
 - (B) Any period of incapacity requiring absence from work, school, or other regular daily activities, of more than three calendar days, that also involves continuing treatment by (or under the supervision of) a health care provider; or

(C) Continuing treatment by (or under the supervision of) a health care provider for a chronic or long-term health condition so serious that, if not treated, would likely result in a period of incapacity of more than three calendar days; or 4) for prenatal care. Voluntary or cosmetic treatments (such as most treatments for orthodontia or acne) which are not medically necessary are not "serious health conditions," unless inpatient hospital care is required. Restorative dental surgeries after an accident or removal of cancerous growths are serious health conditions provided all the other conditions of this regulation are met.

(8) Spouse: A husband, wife, or domestic partner lawfully married to one other, as defined or recognized under state or federal law for purposes of marriage, including common law marriage.

(b) Policy

An employee may be eligible to take up to twelve (12) weeks of unpaid family and medical leave during a rolling twelve (12) month period. An eligible employee is one who has been employed with the City for at least twelve (12) months, and who has worked at least 1,250 hours during the twelve (12) months preceding the first date leave is to be taken. Leave can be taken for any of the following reasons: birth of a child, placement with the employee of a child for adoption or foster care; when the employee is needed to care for a child, spouse, domestic partner, or parent who has a serious health condition; or when the employee is unable to perform the essential functions of the position because of the employee's own serious health condition.

Generally, employees will be returned to the same or an equivalent position upon their return from FMLA leave. The City complies with all provisions of FMLA in its employment practices and makes available detailed explanations and instructions of FMLA benefits and procedures to all employees who fall within its provisions, should such circumstances arise.

(c) Conditions

All eligible employees shall be granted family or medical leave consisting of unpaid leave, and when requested and appropriate, accrued sick and/or vacation leave, for a combined total of up to twelve (12) weeks during the FMLA leave year for the following reasons:

- (1) Family Leave: Any family leave must be taken within twelve months from the date of the birth or placement of a child for adoption or foster care.
- (2) The birth and subsequent care of the employee's newborn child and in order to care for the child;
- (3) The placement of a child with the employee for adoption or foster care, and to care for the child.

(d) Medical Care

- (1) To care for a spouse or domestic partner, child, or parent who has a serious health condition;
- (2) The employee is unable to perform the essential functions of their position due to the employee's own serious health condition;
- (3) A "qualifying exigency" as a result of the employee's spouse, child, or parent who is a military member on covered active duty or called to covered active duty (or notified of an impending call to active duty), or in support of a contingency operation for covered members of a Reserve component, or
- (4) To care for a covered service member with a serious injury or illness if the employee is the spouse, child, parent, or next of kin of the covered service member (military caregiver leave).
- (5) Any other circumstance provided by the FMLA.
 - (A) Employees are entitled to 12 weeks of FMLA-protected leave for a qualifying reason.
 - (B) Employees are entitled to 26 weeks of leave if they qualify as military caregivers.

(e) Procedures

(1) Twelve-Month Period

The twelve (12) month period for counting family and medical leave is a "rolling" twelve (12) month period measured backward from the date an employee requests or is placed on FMLA leave. Each time an employee takes FMLA leave, the remaining leave entitlement would be any balance of the 12 weeks that has not been used during the immediately preceding 12 months, or 26 weeks provided in certain circumstances.

Employees are eligible to take medical leave intermittently or on a reduced leave schedule only when medically necessary. Employees are not entitled to take family leave intermittently or on a reduced leave schedule unless approved by their Department Director and the City Administrator.

(2) Employee Request for Leave

An employee must give at least thirty (30) days' advance notice in writing for the need to take foreseeable family or medical leave for planned medical treatment, unless the need is unforeseeable, in which case, as much notice as is practicable should be given. The request must state the reason for the leave, the anticipated duration of the leave, and the starting and ending dates of the leave. When it is not practicable under the circumstances to provide thirty (30) days advance notice, the employee must give notice to the ~~People & Communications Director~~ Human Resources Director as soon as possible but no later than two (2) business days after the employee learns of the need for the FMLA leave.

(3) Department Notification

Each Department Director is responsible for notifying the Human Resources Director and the City Administrator immediately when an employee is away from work for a family and medical leave qualifying event (if family and medical leave has not been approved), even if the employee is utilizing paid vacation, sick or personal leave, or is out due to a work-related injury. An employee using sick leave should be reported to the ~~People & Communications Director~~ Human Resources Director or the Director's designee if it is anticipated that the duration of the illness will be three (3) or more days, or once the employee exceeds three (3) days.

(4) Human Resources Director Responsibility

Human Resources Director is responsible for the central administration of all requests for family and medical leave. The Human Resources Director reserves the right to automatically place an employee on family and medical leave if it is determined that a qualifying event has occurred. The Human Resources Director may retroactively designate the beginning date of FMLA to the beginning date of the employee's absence for the qualifying event.

(5) Approval

An employee shall submit a request for family and medical leave through proper channels to the Department Head who will then forward it to the Human Resources Director for approval. Confidential medical information that accompanies the application can be submitted directly to the Human Resources Director.

(6) Substitution of Paid Leave

An employee utilizing this policy for the placement of a child for adoption or foster care with the employee shall be required to exhaust all accrued vacation, parental, sick, and any other applicable paid leave prior to going on unpaid leave. An employee utilizing this policy for the serious illness of a child, spouse, or parent must exhaust all accrued sick leave, vacation leave, compensatory time off, and any other applicable paid leave prior to going on unpaid leave. If an employee gives birth to a child, sick leave can be utilized until the employee receives a release from the doctor. After being released, the employee may use additional sick leave if permitted in accordance with the sick leave policy. Once all applicable sick leave has been used, the employee shall be required to exhaust all accrued vacation, compensatory time, holiday leave, parental leave, and any other accrued paid leave, prior to going on unpaid leave. An employee utilizing this policy for the employee's own serious health condition shall exhaust all accrued sick leave, vacation leave and personal leave prior to going on unpaid leave. If an employee is off work due to a work-related injury and the employee qualifies for family and medical leave, it will run concurrently with any paid leave. The City reserves the right to count any paid leave that qualifies for family and medical leave toward the twelve (12) or twenty-six (26) weeks allowed under this policy.

If medical leave is requested, the employee may use accrued sick leave. After an employee's accrued sick leave has been exhausted, vacation leave may be used as sick leave upon request of the employee. If family leave is requested, the employee may use paid parental leave, if applicable, compensatory time off, and accrued vacation leave. For the birth of the employee's child and in order to care for the child, the employee may use accrued sick leave.

In the event that the appropriate paid leave is exhausted, the remainder of the family or medical leave period will consist of unpaid leave. Family and Medical leave will run concurrently to accrued sick leave and / or vacation, personal or other leave used for FMLA leave purposes.

(7) Maximum Time Allowed

The maximum amount of family and medical leave available is twelve (12) weeks during a twelve (12) month period even if there is more than one family and medical leave qualifying event. The only exception to the twelve (12) week maximum is the leave to provide care of an injured service member, described below, which allows for an extended FMLA leave of 26 weeks.

(8) Medical Certification

The Human Resources Director may require satisfactory proof of the proper use of medical leave and may disallow the applicability of medical leave in the absence of such proof.

The City requires medical certification from a healthcare provider to support a claim for leave to care for a seriously ill child, spouse, or parent, or for the employee's own serious health condition. Medical certifications must be submitted to the Human Resources Director within fifteen (15) working days. Recertification may also be required every 30 days. An employee will be notified if recertification is required. For leave to care for a seriously ill child, spouse, or parent, the certification must include an estimate of the amount of time the employee is needed to provide care. For the employee's own serious health condition, the certification must include a statement that the employee is unable to perform the essential functions of the position and expected duration. The City does not seek and should not be provided with genetic information. If an employee or applicant's genetic information is inadvertently received by the City; the City will return it to the healthcare provider and not use genetic information for any employment decision or action.

Failure to provide medical certification may result in a delay in the commencement or continuation of the FMLA leave. If a question arises whether an employee on FMLA is utilizing FMLA for reason(s) other than an FMLA-approved illness or injury, the City may take steps to verify the proper use of FMLA leave.

Upon returning to work after leave for the employee's own illness, an employee is required to provide certification to the supervisor that the employee is able to return to regular duties. If the validity of a certification is questioned, the City may require that a second opinion be obtained. If the first and second opinions differ, the City may require a third opinion be obtained. The employee and the City must agree upon a health care provider for the third opinion and this opinion shall be binding on both parties. The City shall bear the expense of second and third opinions.

(9) Return to Work

When an employee returns to work after Family and Medical Leave, the employee shall be restored to the same position or to an equivalent position involving the same or substantially similar duties and responsibilities. An employee will be restored to the same worksite or to a geographically proximate worksite. The employee is also entitled to return to the same shift or an equivalent schedule.

Employees eligible for Family and Medical Leave will generally be returned to their old position or to a position with equal pay, benefits, and other terms and conditions of employment. However, the City cannot guarantee that employees will be returned to their original jobs in all cases. The City will determine whether a position is an equivalent position.

This policy does not entitle any employee to any right, benefit, or position of employment other than any right, benefit, or position to which the employee would have been entitled had the employee not taken leave. For example, if during an employee's approved leave, the employee is terminated for reasons unconnected with a legitimate leave, or the employee's position is eliminated through a reduction in force, the commitment to return the employee to a position with the City will cease at the time the employee is terminated or the position is eliminated. An employee on medical leave for five (5) consecutive working days or more for the employee's serious health condition, must provide a "Return-to-Work" release from the employee's health care provider before the employee will be permitted to return to work. The "Return-to-Work" release must state that the employee is able to resume work and must specifically reference that employee's job description and specific duties.

The City reserves the right to consult with the employee's health care provider for clarification on "Return to Work" releases or other FMLA documentation provided by the employee. An employee's failure and/or refusal to provide the necessary FMLA documentation and the periodic written updates as to the employee's FMLA status, as required by the FMLA and the City's policies, shall subject the employee to the possible cancellation of the leave, and other disciplinary action up to and including termination.

(10) Failure to Return to Work

Employees who do not return to work after using all Family or Medical Leave will be subject to disciplinary action up to and including termination unless additional leave has been requested, in writing, and approved by the City in accordance with the City's policies. Employees should submit a written request for an extension of leave to the Department Director. This written request should be made as soon as the employee knows that they will not be able to return to work on the originally declared return date.

(11) Continuation of Health Coverage Benefits

While utilizing unpaid Family and Medical Leave, an employee's health coverage benefits will continue without interruption as long as the employee pays their portion of the health coverage premiums. Health coverage premiums can be deducted from the paycheck before the leave begins, or during the leave, if the employee continues to receive pay (pre-tax), bi-weekly. While on unpaid FMLA, the City will continue to pay its portions of the premiums during the duration of the FMLA.

(12) Intermittent Leave

When medically necessary, an employee may take Family and Medical Leave on an intermittent basis or work a reduced schedule. Arrangements should be made with the employee's immediate supervisor so that the operations of the department are not unduly disrupted. An employee taking intermittent leave or leave on a reduced schedule may be temporarily assigned to an alternative position with equivalent pay and benefits if it better accommodates the needs of the department.

Employees are not entitled to take family leave intermittently or on a reduced leave schedule unless approved by their Department Director and the Human Resources Director.

(13) Holidays

Holidays will be paid in accordance with the Holidays policy. City holidays will not be counted as part of the twelve (12) or twenty-six (26) weeks of Family and Medical Leave, whether the employee is on paid or unpaid leave.

(14) Texas Municipal Retirement System (TMRS)

Employee contributions to TMRS may be made on a voluntary basis through a special arrangement with the City while an employee is on leave without pay status. It is the employee's responsibility to initiate such an arrangement by timely contacting the City's Human Resources Director and completing the necessary paperwork. This arrangement is subject to approval by the City and TMRS.

(15) Recordkeeping

Family medical leave time will be tracked on an hourly basis for payroll and compliance purposes. To determine entitlement for employees who work variable

hours, the minimum hours required for eligibility is calculated on a pro-rata or proportional basis by averaging the weekly hours worked during the twelve (12) weeks prior to the start of family and medical leave.

(16) Military Family Leave Entitlement

Military Qualifying Exigency Leave: Employees who are otherwise eligible for FMLA and have a spouse, child, or parent on covered active duty (deployed to a foreign country) or called to covered active duty status in the National Guard or Reserves (deployment to a foreign country or in support of a contingency operation) may use their 12-week unpaid, job-protected leave to address certain qualifying exigencies including eligible: short-notice deployments; attendance at military events and related activities; childcare and school activities; addressing financial and legal arrangements; attending counseling sessions; attending post-deployment activities; up to 15 days of rest and recuperation; and parental care.

Military Caregiver Leave: Employees who are the spouse, parent, child, or next of kin of a service member who incurred a serious injury or illness while on active duty in the Armed Forces and is undergoing medical treatment, recuperation, or therapy, may take up to 26 weeks of leave to care for the injured service member in a single 12-month period. The covered service member must be a current member or eligible veteran of the Armed Forces (including a member of the National Guard or Reserves) with a serious injury or illness incurred in, or aggravated by, service in the line of duty on active duty that may render the service member medically unfit to perform their duties.

SECTION 6: WORKPLACE CONDUCT

6.01 Standard Work Period

The 7-day work period begins each Monday at 12:01 a.m. and ends each following Sunday at 12:00 a.m.

6.02 Business Hours

Normal business hours are 8:00 am to 5:00 pm.

6.03 Place of Business

The normal place of business for City employees is the City Hall, except that, certain employees have an alternate place of business as assigned by their supervisor or department head, including but not limited to the Dripping Springs Ranch Park, Ranch House, Development Services, and South Regional Wastewater Treatment Plant. Other work locations may be designated by the Mayor, City Administrator, or Department Head at their discretion.

6.04 Telecommuting

Employees may be allowed to occasionally work from remote locations, with the prior consent of the Mayor or City Administrator as an additional benefit to the employee. The City Administrator may also designate certain employees for regular telecommuting schedules. A telecommuting schedule is a privilege. The request to telecommute is not guaranteed for any employee and may be modified, restricted, or removed at any time by the City Administrator or Mayor.

All telecommuting employees shall make themselves available on a set schedule including being available at their city owned cellphone during work hours, if any, or having their phone extension forwarded to their cellphone while telecommuting. The employee shall also maintain access to electronic mail at all times while telecommuting. Employee shall be available for virtual meetings while telecommuting. Any employee who is unable to maintain phone, electronic mail access, and for virtual meetings during their telecommuting time shall not be eligible for telecommuting and may also be required to take leave if they are unavailable during their work hours for any reason. Telecommuting is not to be used in lieu of paid or unpaid leave.

Considerations for telecommuting shall include: (1) department availability at City Hall; (2) availability of telecommuting employee; (3) productivity of telecommuting employee; and (4) in person meeting requirements for telecommuting employee. Each employee is required to notify the employee's supervisor immediately if any situation arises that will affect the employee's ability to work while telecommuting.

Any telecommuting employee shall develop a written plan with the employee's supervisor upon request for telecommuting. Quarterly review of each telecommuting employee's performance while telecommuting will be done upon approval of the employee's telecommuting plan.

6.05 Accidents & Safety

All accidents and incidents shall be promptly reported to the City Administrator and Human Resources Director, when appropriate, investigated, reviewed, and analyzed to identify contributing factors and causes to prevent recurrence. The City may provide written policy guidance on safety measures for specific positions and/or equipment. Each accident or incident shall be documented in writing with an incident report. Workers compensation procedures should be followed as appropriate.

6.06 Professional Appearance

All employees are required to wear appropriate attire while on-duty and/or at City Hall, Dripping Springs Ranch Park, Development Services, Ranch House, the Wastewater Treatment Plant, and at other city parks and facilities. Department heads may require that certain staff wear City of Dripping Springs clothing or other specialized apparel. If this is required, the City will provide access to such clothing. Please see the Uniform Policy for additional information. Employees are also required to engage in routine grooming and hygiene practices that are conducive to the workplace. Hair, jewelry, and wardrobe choices

must be appropriate for the employee's interactions with members of the public and suitable to satisfy the City's legitimate job safety concerns.

6.07 Privacy

Employees shall have no reasonable expectation of privacy in their workspaces or on their computers. All City computers, phones, offices, lockers, cabinets, vehicles, and furnishings are subject to use and search by other City officials and employees.

6.08 Smoking

All City buildings and facilities are non-smoking areas.

6.09 Pets

Pets are not permitted in City office facilities. This restriction includes City common areas, meeting rooms, and individual offices. Facilities include Development Services, Dripping Springs Ranch Park, City Hall, Wastewater Treatment Plants and other indoor city office facilities. This prohibition is applicable to all City employees, contractors, and visitors.

Limited exceptions may be made under specific circumstances:

Service Animals

(a) Service Animals that are required for an employee's disability, in accordance with the Americans with Disabilities Act and applicable laws. Employees are encouraged to notify the Human Resources Director in advance if accompanied by a service animal to facilitate any necessary accommodation.

City Events

(b) Pets may be permitted at City-Sponsored events held at the workplace, subject to prior approval from the City Administrator and adherence to specific guidelines provided for the event.

Public Parks

Pets are allowed at public parks subject to park rules.

Approval from the City Administrator is required for any other exceptions.

6.10 Drug/Alcohol-Free Workplace

(a) No employee may consume, or be under the influence of, alcohol or illegal drugs while at City facilities or on duty, unless at an event at a City facility while off duty. Exceptions include medication prescribed by a licensed physician when used as prescribed.

(b) No employee may manufacture, distribute, dispense, possess, sell, purchase, or use a controlled substance on City property or while on duty.

(c) All City buildings and facilities are to remain drug and alcohol free except where a

rental of a city facility or park is entered into and adequate insurance is provided. The Mayor and/or City Council may allow certain exceptions for alcohol served at specified official social functions.

(d) Post-accident testing may be conducted following any accident in which violations of safety procedures occur, resulting in either property damage or personal injury caused by an employee. Post-accident testing may be conducted following any accident involving personal injury and the operation of a City vehicle or heavy machinery if evidence exists that the employee caused the accident. Individuals to be tested in a post-accident situation shall include any individual directly involved in an accident whose order, action, or failure to act is determined to be, or cannot be ruled out as, a causative factor in the events leading to or causing such accident.

(e) Commercial Driver Employees and Applicants

(1) Employees

(A) As required by federal law and for the purposes of this Policy, the term “commercial driver” includes any employee who operates or may be required to operate a commercial motor vehicle requiring a commercial driver’s license as defined by 49 C.F.R. § 383.23. This includes temporary, part-time, probationary, and regular employees who operate a commercial motor vehicle only occasionally, intermittently or during an emergency.

(B) All Commercial Driver employees will be subject to alcohol and drug testing. All employees who apply for transfer to a position, which requires or could require that the employee operate a commercial motor vehicle will be subject to preemployment testing before being transferred.

(2) Applicants

All applicants who apply for positions which require or could require operation of a commercial motor vehicle will be subject to pre-employment alcohol and drug testing. Employee applicants who are not otherwise covered by this Policy who apply for or are to be promoted or are transferred or assigned into a position which requires operation of a commercial motor vehicle will be subject to pre-employment testing the same as any other applicant.

(3) Prohibitions

Each covered employee is required to comply with the provisions of federal law, which include the following prohibitions:

(A) No commercial driver shall report for duty or remain on duty to perform a safety-sensitive function while having an alcohol concentration of 0.04 or greater.

(B) No commercial driver shall be on duty or operate a commercial motor vehicle while the driver possesses alcohol or any product containing alcohol.

(C) No commercial driver shall use alcohol while performing safety-sensitive functions.

(D) No commercial driver shall perform safety-sensitive functions within four

hours after using alcohol, regardless of the driver's actual alcohol concentration.

- (E) No commercial driver shall refuse to submit to any alcohol or controlled substance test required under the law.
- (F) (G) No commercial driver shall report for duty or remain on duty to perform a safety-sensitive function if the driver uses any controlled substances, except when the controlled substance is used pursuant to the instructions of a physician and the physician has advised the driver that the substance does not adversely affect the driver's ability to safely operate a commercial motor vehicle.
- (G) (H) No driver shall report for duty, remain on duty or perform a safety-sensitive function, if the driver tests positive for controlled substances.
- (H) Each driver shall report the use of any medication that may affect their ability to perform commercial driving.
- (I) (J) Each driver who parks any vehicle, city or personal, shall only park in designated parking spaces unless loading or unloading.

6.11 Violence & Weapons

- (a) The City is committed to maintaining a workplace free from threats and acts of intimidation and violence. All reported incidents will be investigated. Any act of intimidation, threat of violence, or act of violence committed against any person on City property or while performing City business is prohibited. "Intimidation" includes any physical or verbal act toward another person, the result of which is that the person reasonably fears for the person's safety or the safety of others. A "threat of violence" is a physical or verbal act which threatens bodily harm to another person or damage to the property of another. An "act of violence" is any physical act, whether or not it causes actual bodily harm to another person or damage to the property of another.
- (b) No person shall possess or have control of any firearm, deadly weapon, or prohibited knife while in City Hall, City vehicle or designated City office, except as required in the lawful course of business or as authorized by law enforcement. Except that, an employee may keep a firearm locked in his or her vehicle in the parking areas of the city.
- (c) Any City employee who is the subject of, or a witness to, a suspected violation of this standard should report the violation to a supervisor or person in authority who is not involved in the conduct. Any supervisor or person in authority who receives a report of a suspected violation of this standard shall document the incident and notify an appropriate City official. Any emergency, perceived emergency, or suspected criminal conduct shall be immediately reported to law enforcement. Sexual violence is also criminal conduct and shall be immediately reported.
- (d) Any City employee found to be in violation of this standard may be subject to criminal prosecution as well as discipline up to and including dismissal.

6.12 Supplemental Employment

No full-time or part-time, regular employee may engage in outside employment without the written consent of the Mayor or City Administrator. No equipment or supplies belonging to the City may be used by employees for supplemental employment. An employee shall not engage in outside employment, including self-employment, where such activity would constitute a conflict of interest or adversely affect the employee's performance in City service. If an employee's outside employment begins to interfere with the effective performance of assigned City duties, the employee shall be required to terminate the outside employment or to resign from City service.

6.13 Political Activity

- (a) When on duty or in City uniform, an employee of the City may not engage in any political activity relating to a campaign for any elective public office. No employee of the City shall, while on duty or in uniform, make, solicit, or receive any contribution to the campaign funds of any party, interest group or candidate for use in any City election. No employee shall participate in any political activity or campaign for, or with respect to, any candidate in a City Election, including on social media. No city employee will be disciplined for running for city or other office but may be forced to resign if elected, pursuant to state office holding laws. When not on duty and not in a uniform of the City, an employee may engage in political activity respective to governments and entities other than the City. An employee may not use the fact of their City employment to solicit campaign contributions for a candidate.
- (b) An employee who is considering becoming a candidate for mayor or city council is hereby informed that election to such office would constitute a resignation from the City service on the day the individual, if elected, takes the oath of office. An employee is encouraged to advise the Mayor in writing prior to announcing candidacy for election or appointment to any public office.

6.14 Telephone Usage

City telephones are primarily for use in conducting City business. Personal calls shall be limited so as not to interfere with City business.

6.15 Media Relations

All media inquiries shall be directed to the People & Communications Director who will coordinate responses. The officially-designated spokespersons for the City are the Mayor, City Administrator, Deputy City Administrators, People & Communications Director, and City Attorney. Other city officials or employees may be authorized or designated to communicate with the media on the City's behalf by the Mayor, City Council, City Administrator or People & Communications Director.

6.16 Privacy

Employees do not have a reasonable expectation of privacy in storage devices provided by the City or located on City property, including but not limited to offices, desks, toolboxes, vehicles, and closets.

6.17 Performance Evaluation

The work performance of each permanent employee shall be evaluated annually. Evaluations for employees on probation shall be conducted upon completion of the probationary period of 90 days. Additional evaluations may be conducted if warranted, as determined by the City Administrator. Evaluations shall be recorded in writing on forms approved by the City Administrator. A copy of such evaluation shall be provided to the employee to whom they relate, and a duplicate copy shall be provided to the Human Resources Director for placement in the employee's permanent personnel file.

6.18 Supervisors

Each employee's direct supervisor shall be set by the ordinances, job descriptions, and contracts adopted by the city council. Authority to terminate resides with the City Administrator unless the employee is hired by City Council pursuant to state law or this Manual. The city council is the final termination authority for City Administrator, Deputy City Administrators, City Secretary, City Attorney, Parks and Community Services Director, City Treasurer/Finance Director, Maintenance Director, ~~People & Communications Director~~, Human Resources Director, Building Official, ~~Emergency Management Coordinator~~ Director of Emergency Preparedness and Homeland Security, and others designated by City Council. The City Administrator, in consultation with the employee's supervisor and the City Attorney, and Human Resources Director, is the final termination authority for all other employees unless otherwise designated by state law or city council. Employees who are terminated may appeal their termination in the same manner as other grievances as described in Section 12.03.

6.19 Ethical Considerations

All City employees have a responsibility to the people of Dripping Springs in the performance of your official duties. Every employee should act fairly and honestly and should avoid conflicts of interest and creating the appearance of impropriety.

A City employee should not:

- (a) divulge confidential City information to unauthorized persons;
- (b) accept or solicit any gift, favor, or service that might reasonably tend to influence the officer or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the officer's or employee's official conduct;
- (c) accept other employment or engage in a business or professional activity that the officer or employee might reasonably expect would require or induce the officer or employee to disclose confidential information acquired by reason of the official position;
- (d) accept other employment or compensation that could reasonably be expected to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties;

- (e) make personal investments that could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; or
- (f) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the officer's or employee's official powers or performed the officer's or employee's official duties in favor of another.

Violation of these ethical guidelines is grounds for disciplinary action, up to and including termination.

6.20 Nursing Mother Breaks

- (a) The City of Dripping Springs supports the practice of expressing breast milk by employees;
- (b) The City shall make reasonable accommodations for the needs of employees who express breast milk including:
 - (1) providing a reasonable amount of break time for an employee to express breast milk each time the employee has the need to express the milk;
 - (2) providing a place, other than a bathroom, that is shielded from view and free from intrusion where the employee can express breast milk;
- (c) The City will not discipline or discriminate against an employee because the employee has used her right to express breast milk under this policy.
- (d) Any employee wishing to use this break time and area needs to inform the City as soon as possible so the City may make adequate reasonable accommodations.

6.21 Key Control Policy

Each employee employed shall be given access through a key system subject to a Key Control Policy adopted by the City and enforced by the City Administrator.

Each employee who is given a key shall be required to sign a Key Control Policy and:

- (1) shall not give or loan the key to others;
- (2) shall not make any attempts to copy, alter, duplicate, or reproduce the key;
- (3) shall use the key for authorized purposes only;
- (4) shall safeguard and store the key securely;
- (5) shall immediately report any lost or stolen keys; and
- (6) shall produce or surrender the key upon official request.

If a key is lost, stolen, or not surrendered when officially requested, a charge that reflects the cost of changing any and all locks and keys affected may be assessed to the employee. Misuse of City Equipment including City keys may result in discipline up to and including discharge pursuant to Section 12.02 of this Personnel Manual. Additional requirements related to Key Control may be approved and enforced by the City Administrator or Mayor. The Key Control Policy shall be attached to this Manual as Attachment "B".

6.22 City Hall and Facility Closure Policy

- (a) The City Administrator shall determine when City Hall or other City facility is closed due to inclement weather, natural disaster, or other health or safety threat pursuant to city policy. The decision will be based on consultation with the Mayor, the Emergency Management Coordinator~~Director of Emergency Preparedness and Homeland Security~~, and Hays County.
- (b) The City Administrator shall determine which Parks are closed due to inclement weather, natural disaster, or other health and safety threat. The decision will be based on consultation with the Parks and Community Services Director, Dripping Springs Ranch Park Event Center Manager, the Mayor, the Emergency Management Coordinator~~Director of Emergency Preparedness and Homeland Security~~, and Hays County.
- (c) Unless an employee is personally notified by the employee's supervisor, or their designee, the employee is required to work remotely or that the employee is not to report to the employee's designated work site, an employee is expected to report to work. Each Department Head will determine whether employees in each Department shall be required to report to work. Any Employee who is not released from work by their supervisor or designee, shall report to work. Those who are released from work are required to work remotely if feasible. The City Administrator or Supervisor may assign specific duties that may be performed from home. Any hours worked during a closure shall be treated as regular hours worked. Any Employee who is released from work during their normal work schedule may be eligible for paid leave under the Administrative Leave Policy. Administrative paid leave given during a full or partial city closure will solely be used to make up any time an Employee could not work due to the city closure. (For example, if an Employee is released from work for an eight-hour day, but works four hours at home, that Employee shall be paid for a regular eight-hour day, four hours actually work and four hours administrative paid time off if approved).
- (d) In the event inclement weather, natural disaster, or other health or safety threat makes travel to work from home unsafe or impossible for an Employee, absence from work will be considered an excused absence if the Employee provides the required notification to the Employee's Supervisor or Department Head. Work from home will be considered hours worked and shall not be deducted from paid time off. The Employee may apply for administrative leave, with or without pay, or may use vacation time or compensatory time off if Employee has accrued compensatory time off. If additional time is needed for a commute due to inclement weather, natural disaster, or other health or safety threat, the additional time may be considered hours worked if approved by the City Administrator.

6.23 General Conduct

- (a) The attitude and conduct of a City employee, whether in public or private, should at all times be such as to promote the good will and favorable attitude of the public toward the City. This includes providing courteous and respectful service to the public and to city

employees.

(b) Attendance is an essential function of each position at the City of Dripping Springs. Unsatisfactory attendance is not allowed. It is exemplified by, but not limited to the following violations:

- (1) unexcused absence or tardiness;
- (2) failure to give notice of an absence or tardiness to the supervisor at least two (2) hours before starting time, or such other time as designated in a written policy established by the department head/director when possible;
- (3) failure to return to work after any authorized leave of absence;
- (4) absence or tardiness that causes significant curtailment or disruption of service without sufficient justification; or
- (5) leaving working prior to the end of your work day unless authorized by your supervisor.

6.24 Use of City Vehicles

- (a) City vehicles are furnished for official city business and may not be used for personal use unless approved by their Department Head or City Administrator, or their designee.
- (b) The misuse of city vehicles/equipment shall be considered a serious offense subject to corrective action up to and including dismissal.
- (c) All employees authorized to operate city vehicles and motorized equipment are covered by this section.
- (d) City Administration is responsible for conducting Motor Vehicle Records (MVR) checks on all current employees who drive city vehicles or may operate a personal vehicle for official city business. The purpose of this check is to verify they have a valid State of Texas driver license without restrictions and are insurable under the city's motor vehicle insurance policy. Annual verification of drivers license for employees who drive as part of their employment shall be required.
- (e) **Accident Reporting.**
 - (1) The operator of a city vehicle or personal vehicle on official city business shall take the following actions when involved in an accident:
 - (A) Render aid if possible and necessary.
 - (B) Call Law Enforcement.
 - (C) Make a record of the make, model, and license number of vehicles involved.
 - (D) When possible, take pictures of the vehicles and license plates of the involved vehicles as well as the area of the accident. Complete a vehicle/equipment damage report.
 - (E) Be courteous, but do not make or sign statements for anyone except the police.
 - (F) Do not offer promises on behalf of the city.
 - (G) Notify your supervisor as soon as possible.
- (f) An employee of the city involved as a driver of the city vehicle or personal vehicle on official city business involved in a preventable accident may be required to undergo a driving evaluation.
- (g) **Operations.**

- (1) It is the employee's responsibility to ensure that they possess and maintain a current, valid, and appropriate operator license for the type of vehicle or equipment being operated.
- (2) It is a violation for a city employee to violate the rules of the road, speed limits, traffic requirements, or any parking requirements while driving a city vehicle or driving a personal vehicle on city business.
- (3) Employees are responsible for reporting the routine condition and maintenance of assigned vehicles or equipment. All employees with knowledge of a defect in a city vehicle or equipment must make a written report of the defect to the Maintenance Director prior to operating the vehicle or equipment, or upon becoming aware of the defect.
- (4) Employees who know a defect exists in a vehicle or equipment that affects the safety of its operation must take the vehicle out of service and not operate the vehicle or equipment until it is properly placed back in service by the designated member.
- (5) Employees must inform their supervisor when they are involved in a vehicular accident, convicted of a moving violation, DWI, DUI, or any other crime on or off the job that would impact the employee's ability to operate a city-owned vehicle or equipment.
- (6) An employee must notify their supervisor immediately whenever their driver license/CDL is temporarily or permanently suspended.
- (7) Should a driver receive a traffic citation while operating a city vehicle or a personal vehicle on city business, they must notify their supervisor within 24 hours, excluding holidays and weekends.
- (8) An employee, who, as an operator of a city or personal vehicle or equipment, experiences a number of preventable accidents or is found to have an excessive number of moving or parking violations, may be subject to an evaluation of their ability to continue driving for the city and may be permanently prohibited from operating vehicles or equipment for official city business.
- (9) Involvement in a preventable accident may be considered an offense requiring corrective action.
- (10) The need for corrective action, and its extent, will be based on the driving requirements, driving record, accident-causing factors, frequency of accidents, and the driver's negligence.
- (11) Drivers found to be driving city vehicles, or personal vehicles on city-related business, under the influence of alcohol, controlled substances, or illegal drugs will be subject to immediate dismissal.

6.25 In-City Training

The City provides in-house training opportunities to its staff in order to educate employees on important topics and follow state and federal law requirements. Cybersecurity and FEMA safety training is required for all new employees and on an annual basis. In addition, training on harassment and ethics rules will be required annually. Open government, fraud and other training will be required as applicable.

SECTION 7: TECHNOLOGY USE POLICY

7.01 No Right to Use City Computers or Phones

Use of City computers to access the internet or electronic mail (i.e., “email”) is a privilege not a right. The City provides computers and internet / email access for the express purpose of conducting City business and performing municipal tasks.

7.02 Primary Purpose

City computers and phones, including city-issued mobile phones and radios, are to be used primarily for conducting City business. City technology is not intended to be used for conducting personal business. Incidental and infrequent personal use of City technology and City internet / email access is allowable provided that it does not hinder or interfere with conducting City business. Limited personal use of City internet or personal email accounts is best conducted while on break.

7.03 No Privacy Expectation

City officers and employees have no reasonable expectation of privacy on City computers, phones, radios, internet, or email. The City has the right to view and inspect all City computers, phones, and radios including information accessed, downloaded, viewed, sent, or received over the internet or by email. Much of the information generated by or stored on City technology or obtained through City internet or email access is public information that is required to be catalogued under the Texas Records Retention Act, and subject to mandatory disclosure under the Texas Public Information Act, or other law. Use of City computers, phones, radios, and internet or email accounts constitutes consent by the City officer or employee for City inspection of those computers and internet or email accounts, and data transmitted thereon.

7.04 City Email Accounts

All City employees are required to use their City-issued email accounts to conduct City business. Employees are prohibited from using their personal email accounts to conduct City business. When corresponding about City business via email, all City personnel must include the City’s standardized email stationery and signature within the emailed message. If an employee receives a city email at a private email address, the employee should immediately forward the email to his or her city email address for storage.

7.05 Prohibitions

No officer or employee may:

- (a) Download any software or program onto City computers or phones without the express written authorization of the City Administrator and city IT Director. No employee may have TikTok on any city device including computers, tablets, and mobile phones.
- (b) Use City computers, phones, radios, City-funded internet / email accounts, or any other communication device on which City business occurs or is funded by the City:
 - (1) in a manner that neglects the officer or employee’s assigned duties or interferes in City operations;
 - (2) to participate in on-line chat rooms, unless those chat rooms are sponsored by legitimate professional organizations relevant to municipal government, and such

- participation is approved in advance by the Mayor or City Administrator;
- (3) to invite an employee on a date or make sexual propositions of employees;
 - (4) to harass or otherwise interfere with a City employee. This prohibition includes but is not limited to harassment stemming from an employee's race, ethnicity, color, sex, age, or marital status;
 - (5) to send or distribute off-color jokes, articles or stories that are lewd and that a reasonable person would find to be offensive;
 - (6) to send or distribute worms, malware, or viruses;
 - (7) to send threatening messages to any other person or institution;
 - (8) use City computers or City-funded internet / email accounts to view, download, or distribute pornographic material, including obscene images or text;
 - (9) to disclose, release, or otherwise transmit confidential or privileged information belonging to the City without the express permission of the Mayor or City Administrator;
 - (10) to store personal information (i.e., that information not directly related to City business). Officers and employees shall regularly remove any personal data (i.e., that which is not prepared for or by the City for conducting City business) from City computers and internet / email accounts;
 - (11) to delete or remove programs installed by the City or delete data prepared by or for the City that is related to City business;
 - (12) to operate a private business, do work for another employer, or conduct political campaigns. This prohibition does not apply to the preparation and generation of election notices and related documents required by law; or
 - (13) to violate another person's privacy, perform an illicit act, or commit a crime.

7.06 Duty to Report

Officers and employees shall report Violations of this Technology Use Policy to the Mayor or City Administrator. Officers and employees who have received a worm, virus, or phishing or social engineering email or text must immediately notify the City Administrator, city IT Director, or the City's Information Technology Consultant. The City Administrator may suspend or revoke an employee's internet or email access privilege for violation of this Policy. Violation of this Policy is basis for disciplinary action, up to and including termination. The unauthorized disclosure of confidential or privileged information belonging to the City is basis for disciplinary action, up to and including termination, and may be punishable as a criminal misdemeanor.

SECTION 8: SOCIAL MEDIA POLICY

8.01 Introduction

Given the multitude of concerns (legal, political, and ethical) raised by social networking (Facebook, Instagram, Snapchat, LinkedIn, TikTok, Twitter, etc.) this Social Media Policy ("Policy") establishes prudent and acceptable practices regarding City of Dripping Springs officials and employees (personnel) use of the internet.

8.02 Purpose

City of Dripping Springs

The City has a legitimate government interest in effective, efficient, and consistent communications with the public. The City also strives to have a productive workplace. While the City encourages its personnel to enjoy and make good use of their off-duty time, certain activities on the part of its personnel may become a problem if such activities could: impair the work of any City official or employee; create a harassing, demeaning, or hostile work environment; or

- (a) disrupt the smooth and orderly flow of work; or harm the goodwill and reputation of the City among its citizens or in the community.

For these reasons, the City reminds its personnel that the following guidelines apply in their use of social media, while both on and off duty.

8.03 Disclaimer

- (a) Under this Policy, the City disavows, and is not responsible for any sites, posts, opinions, or content not coordinated through and approved by the City Administrator or People & Communications Director.
- (b) If City personnel posts data purporting to be on behalf of the City while using a social media site without the prior approval of the City Administrator, the City is not responsible for said posted content. Such content is not to be construed as reflecting the views or opinions of the Mayor, City Council or City Staff, and the City is not responsible for archiving such content in accordance with the records retention schedule or providing copies in accordance with the Texas Public Information Act (PIA) and may be grounds for disciplinary action.
- (c) The absence of explicit reference herein to a particular site does not limit the extent of the application of this Policy. If any personnel is uncertain, the employee must consult their supervisor before proceeding.

8.04 General Guidelines

- (a) While on duty, the use of City equipment or internet service by personnel must be limited to work-related tasks. Social media activities shall never interfere with work commitments.
- (b) It shall be a Policy violation for any personnel to post online content as a representative of the City, or on the City's behalf without the City Administrator's or People & Communications Director's prior approval.
- (c) Any personnel posting City-related issues online not as an approved representative of the City or on the City's behalf, shall explicitly clarify they are speaking for themselves and not on behalf of the City by displaying the following disclaimer: "This is my own opinion and not necessarily the opinion or position held by the City or City Council."

8.05 Guidelines for Official City Sites

- (a) All City-sanctioned social media sites shall be maintained by the People & Communications Director, City Administrator, or their designee. Any content to be posted on City-sanctioned social media sites must meet the approval of the People & Communications Director or the City Administrator before it is posted.
- (b) All personnel that engage in social media activities and/or visit any City-sanctioned social media site on the City's behalf shall adhere to applicable federal, state, and local laws, regulations, and policies, including the Texas Public Information Act and the records retention schedule. All content must be managed, stored, and retrieved to comply with these laws.
- (c) Any personnel that posts online content as a representative of the City, or on the City's behalf shall clearly state within said post that said content is subject to all applicable records retention and public disclosure laws. All City-sanctioned social media sites shall clearly indicate that any articles and any other content posted or submitted for posting are subject to records retention and public disclosure.
- (d) Any content posted as representative of the City, or content posted to a City sanctioned social media site containing any of the following is prohibited:
- (1) Comments not topically related to the particular site or blog article being commented upon;
 - (2) Profane language or content;
 - (3) Content that promotes, fosters, or perpetuates discrimination on the basis of race, creed, color, age, religion, sex, marital status, status with regard to public assistance, national origin, physical or mental disability;
 - (4) Sexual content or links to sexual content;
 - (5) Conduct or encouragement of illegal activity;
 - (6) Information that may compromise the safety or security of the public or public systems;
 - (7) Content that violates a legal ownership interest of any other party;
 - (8) Information that is incorrect or misleading;
 - (9) Information that is in conflict with an approved City policy, ordinance, directive, or plan; and/or
 - (10) Anything else that creates a disruption in the workplace.
- (e) Content submitted for posting on a City-sanctioned social media site that is deemed unsuitable for posting by the People & Communications Director or the City Administrator because it violates criteria in the preceding item of this Policy, shall be retained pursuant to the records retention schedule along with a description of the reason the specific content is deemed unsuitable for posting.
- (f) Any hyperlinks posted on a City-sanctioned social media site shall be accompanied by the following disclaimer: "The City guarantees neither the authenticity, accuracy, appropriateness nor security of the link, website, or content linked thereto."

- (g) Personnel found in violation of this Policy may be subject to disciplinary action, up to and including termination of employment.

8.06 Guidelines for Marketing and Branding

To ensure consistent brand messaging and to protect brand integrity, the City has guidelines when it comes to marketing and branding of all city entities. The People & Communications Director or designated representative is the lead on any communications, design and marketing of city-related brands, events, programs, initiatives, departments, and facilities. All designs should follow the established brand guidelines that includes logo(s), typography, and photography. No letter heads, advertisements, brochures, guides or email signatures shall be created without approval from the People & Communications Director. Any new city logo must be approved by the City Council. Compliance is mandatory, with the People & Communications Director responsible for enforcement and periodic reviews. Failure to adhere to these guidelines may result in disciplinary action.

SECTION 9: SURPLUS EQUIPMENT POLICY

9.01 Purpose

The purpose of this *Surplus Equipment Policy* is to establish procedures for managing and disposing of the City's surplus property and equipment in a manner that is fiscally responsible. This policy applies to all City of Dripping Springs personnel.

9.02 Definitions

Office Equipment: Not office supplies. Includes furniture, electrical appliances, wall hangings, and anything else valued over \$25.00 and/or listed in the City of Dripping Springs liability inventory.

IT Equipment: Machines used to acquire, store, analyze, or process data and information electronically, including for printing, transmitting, and receiving, or storing electronic information such as a computer, computer accessories, or copy machine.

Surplus Property: Equipment, furniture, scrap or salvaged material, or other tangible property that might still have some usefulness but is no longer needed or required by the City of Dripping Springs, regardless of its present condition or estimated value.

Office Supplies: Office tools such as staplers, writing utensils, scissors, and other tools used within the office with a replacement value of under \$25.00.

Salvage Property: Generally, refers to personal property that is damaged, used, or consumed so that it has no value for the purpose for which it was originally intended.

9.03 Procedure

Under this policy, City staff are responsible for:

- (1) Coordinating the transfer of surplus equipment from the City;
- (2) Ensuring that the appropriate paperwork or forms are completed prior to transfer;
- (3) Providing temporary storage until sale or disposal of the surplus equipment or property;
- (4) Maintaining a master list of all surplus equipment that is transferred or is awaiting transfer;
- (5) Updating the master list of surplus equipment accordingly;
- (6) Allocating the proceeds from the sale of surplus equipment properly and in accordance with Texas Local Government Code Chapter 51, if necessary.

Unauthorized removal, disposal, or expropriation of City equipment or surplus property is considered theft and constitutes a serious breach of City policy and may result in disciplinary action, including, but not limited to dismissal, or criminal prosecution.

(a) Reporting Authority: Parks employees shall report issues related to non-IT equipment to the Parks and Community Services Director.

All other employees shall report issues related to non-IT equipment to the Maintenance Director and IT related equipment to the IT Director.

(b) Surplus Equipment: The Maintenance Director may declare equipment or property that is no longer useful for the City of Dripping Springs as surplus. Before declaring equipment or property as surplus, the Maintenance Director is encouraged to:

- (1) Trade in the property towards the purchase of new property;
- (2) Transfer the property within the City; or
- (3) Transfer the property to another City office.

The Maintenance Director shall oversee any of the above transactions or other disposal of surplus equipment or property.

(c) Broken Equipment (Non-IT): The City Parks and Community Services Director and the Maintenance Director can determine the procedure for the disposition of broken equipment that can be repaired.

If broken equipment cannot be repaired, an employee shall inform their immediate supervisor. The Department Director will work with the City Parks and Community Services Director or the Maintenance Director to dispose of that broken equipment or property with written approval by City Administrator. This does not govern the procedure for disposal or transfer of broken IT equipment or property.

(d) Unused Equipment (Non-IT): An employee shall inform their immediate supervisor if there is unused equipment at their workstation or site. The Department Director will work with the City Parks and Community Services Director and the Maintenance Director to determine the procedure for the disposition of unused equipment or property with

written approval of the City Administrator. Unused equipment is equipment that is no longer needed due to:

- Lack of continued need
- Lack of trade-in value
- Obsolescence
- Wear, damage, or deterioration
- Major repair is impractical
- Excessive cost of maintenance

(e) Broken Equipment (IT): The City IT Director is in charge of processing, transferring, and disposing of broken IT equipment or property. In general, the length of time that an electronic or computing device should be a consideration when determining whether such a device should be deemed surplus, especially if IT equipment is broken, or breaks often. Used IT devices, even broken devices, can contain confidential data and licensed software that are at risk of unauthorized use. To promote the security of confidential information, the IT Director is required to erase data stored on IT devices before their sale, disposal, or relocation.

Many IT devices contain harmful heavy metals that are harmful to the environment when improperly disposed. If these devices are subject to disposal, they cannot be disposed of in landfills or other scrap metal recycling programs. Compliance with local or state recycling programs is requested.

Employees shall inform IT Director of broken equipment. If broken beyond repair, IT equipment cannot be repaired, an employee shall inform IT Director. The IT Director may dispose of that the broken equipment or property with written approval by City Administrator.

(f) Unused Equipment (IT): The City IT Director is in charge of processing, transferring, and disposing of unused IT equipment or property. In general, the length of time that an electronic or computing device should be a consideration when determining whether such a device should be deemed surplus. If the equipment is unused and can be transferred or sold, then the City IT Director should make that consideration when determining proper disposition procedures for that equipment or property.

Unused IT devices still contain harmful heavy metals that are harmful to the environment when improperly disposed. If these devices are subject to disposal, they cannot be disposed of in landfills or other scrap metal recycling programs. Compliance with local or state recycling programs is requested.

Employees shall inform the IT Director if there is unused IT equipment at their workstation or site. The IT Director can determine the procedure for the disposition of

unused equipment or property with written approval of the City Administrator. Unused equipment is equipment that is no longer needed due to:

- Lack of continued need
- Lack of trade-in value
- Obsolescence
- Wear, damage, or deterioration
- Repair is impractical
- Excessive cost of maintenance

(g) Equipment for Sale: The Maintenance Director is in charge of selling any surplus equipment or property. Items may be transferred to other City departments, donated to non-profit organizations, or given away at no cost to avoid landfill disposal. Items will be sold at the discretion of the Maintenance Director with approval from the City Administrator. The City Maintenance Director, with the prior approval of the City Administrator, may donate surplus equipment or property directly to a non-profit organization with proof of the 501(c)(3) status of recipient.

(h) Office Supplies: For office supplies, as defined above, that are broken, such as a stapler or scissors, an employee may dispose of such supply. After disposing of any such property, the employee should inform their immediate supervisor and the Department Director will inform the Maintenance Director or City Parks and Community Services Director of the disposition.

For office supplies, as defined above, that are unused, such as a stapler or scissors, an employee shall inform their immediate supervisor. The Department Director will inform the Maintenance Director or City Parks and Community Services Director so that such supply can be stored.

If there is a question of whether an item can be disposed of as an “office supply” or whether an object is “equipment”, the employee should contact the Maintenance Director or City Parks and Community Services Director for verification and handle such property appropriately.

SECTION 10: TRAVEL AND REIMBURSEMENTS

10.01 Registration Fees

Fees charged for registration for conferences, meetings, or seminars are allowed for prepayment or reimbursement. Invoices, registration forms, and supporting information providing documentation of fees or rates must be submitted with the request for payment.

10.02 Reimbursements

Reimbursement for education, training, conference, and other business-related expenditures incurred by City employees and officials in the performance of their duties

and responsibilities will comply with standard, uniform procedures. Reimbursements may be made for the following types of expenditures, upon submittal of an expense report along with the receipts:

- (a) **Transportation:** Coach rate air fare, toll roads, out-of-pocket expenses incurred during use of a City vehicle, mileage at the current Internal Revenue Service established rate. Cost of any taxi fare incurred, plus gratuity. Cost associated with parking of personal or City vehicles resulting from travel or conduct of City business. Each official and employee will use best efforts to use the most cost-efficient travel for each trip. Reimbursements will only be given for the actual cost of travel and will not be given for the use of reward travel or “miles”.
- (b) **Meals:** Cost of meal reimbursement will be based on actual charges and should be reasonable and prudent, not extravagant. The costs of meals will be reimbursed up to the state per diem rate for the location at which the meal is purchased pursuant to the rates established by the U.S. General Services Administration.
- (c) **Entertainment:** Employees are responsible for the costs of their own entertainment.
- (d) **Lodging:** Actual cost of room, plus appropriate taxes.
- (e) **Per Diem:** The City Administrator or Mayor may establish per diem for certain travel events.

10.03 Cash Advances

Employees shall submit receipts accounting for all cash advances made from petty cash.

SECTION 11: DISCRIMINATION

11.01 Equal Employment Opportunity

The City’s employment decisions are made without regard to race, color, religion, sex, age, sexual orientation, military status, veteran status, national origin, mental or physical disability, pregnancy, or marital status. Discrimination or harassment against any person in recruitment, examination, appointment, training, promotion, discipline, or any other aspect of personnel administration because of political or religious opinions or affiliations, membership or non-membership in employee organizations, or because of race, color, national origin, age, disability, veteran status, sex, or marital status is prohibited. Any employee discriminated against or harassed shall report such conduct to his or her immediate supervisor, City Administrator or Human Resources Director; provided, however, if a City Administrator or Human Resources Director is the alleged source of a claim of discrimination or harassment, the aggrieved employee may address such claim directly to the Mayor, or if the Mayor is the alleged source of a claim, then the aggrieved employee may address such claim directly to any member of City Council.

11.02 General Prohibition

The City shall base all employment actions and decisions on a person's qualifications, experience, performance, demeanor, and behavior. The City shall **not** discriminate against employees on the basis of race, color, age, veteran status, military status, pregnancy status, ethnicity, sex, religion, sexual orientation, or nation of origin.

Every supervisor is expected to implement this policy through uniform and consistent employment practices. Management is also responsible for maintaining a professional working environment free of intimidation, sexual harassment, and all other forms of harassment and discriminatory conduct.

11.03 Discrimination and Harassment

(a) Harassment Prohibited

It is City Policy that all employees should be able to enjoy a work environment free from all forms of unlawful discrimination, including sexual, racial, religious, or other harassment. Accordingly, no employee shall engage in harassment of any employee, applicant, or any other individual.

(b) Discrimination and Harassment Defined

Discrimination and harassment is behavior that is motivated in whole or in part by a person's protected class, that is not welcome, and is personally offensive, or that lowers morale and that, therefore, interferes with an employee's work effectiveness. It can include verbal abuse and gestures. Harassment occurs in many forms, including but not limited to, unwelcome physical contact, verbal abuse, leering, gestures, electronic communication, and more subtle communication or advances and pressure involving the individual's protected class. Whether particular conduct constitutes, or harassment is based on the reasonable perception of the victim. Harassment includes unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when:

- (1) adversely affects a term or condition of an individual's employment; or
- (2) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; or
- (3) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individuals; or
- (4) such conduct has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment, whether or not it is directly linked to the granting or denial of an economic benefit.

(c) Discrimination and Harassment is Punishable

Discrimination and Harassment are forms of misconduct that undermines the integrity of the employment relationship. No employee should be subjected to unsolicited and

unwelcome sexual overtures or conduct, either verbal or physical or verbal abuse related to a protected status. A finding that any employee has committed any such form of harassment will result in disciplinary action.

Reporting Required

Any employee who believes that the employee has been subjected to any of the forms of harassment set forth above should report this harassment to:

- (1) the employee's supervisor;
- (2) the City Administrator;
- (3) the City Attorney;
- (4) the Human Resources, and/or
- (5) the Mayor.

Complaints against the City Administrator should be reported to the Mayor, the City Attorney, or a member of the City Council. Every supervisor or officer receiving a report of alleged harassment must notify the Mayor and all persons in the alleged offender's chain of command. Appropriate action must be promptly taken. The first action taken in such event shall include steps calculated to prevent reoccurrence of any such alleged incidents, pending investigation and final resolution of the complaint. Each such report shall be investigated promptly, and appropriate corrective action will be taken with the City Administrator's concurrence unless the allegation involves the City Administrator, in which case the appropriate corrective action will be taken by the Mayor.

(d) Investigation Without Retaliation

All good faith complaints of harassment will be promptly investigated, ensuring confidentiality to the maximum possible extent. Disciplinary action shall be taken against any employee in violation of this policy. Such disciplinary action will be determined by the nature of the wrongful act and may result in immediate dismissal of the offending employee. No employee of the City shall be retaliated against for filing a complaint of harassment in good faith or for participating and cooperating in the good faith reporting or investigation of such a claim. However, the City recognizes that false accusations of harassment can have serious effects on innocent men and women, their reputation, and their families. False accusations of sexual harassment will result in severe disciplinary action.

(e) Training Required

It will be the responsibility of the City Administrator to inform all employees of the policy concerning non-discrimination, equal employment opportunities, and harassment, as well as the gravity of such behavior and the procedure to be employed in the event an allegation develops.

11.04 Disabilities

The City shall evaluate all job applicants and employees based on ability to perform the essential functions of the position with or without reasonable accommodation. The City shall comply with the federal Americans with Disabilities Act (ADA).

11.05 Religious Affiliation

The City shall not evaluate or take employment action on job applicants or employees based on the applicant or employee's religious practices or membership. It is imperative, however, that employees do not allow their religious activities to interfere with the performance of work-related duties or the completion of assignments. Being a government institution, the City does not allow employees to proselytize.

11.06 Immigration Law Compliance

- (a) Federal law requires that the City ensure all employees are authorized for employment in the United States. Therefore, only individuals lawfully authorized for employment in the United States will be employed.
- (b) In connection with federal law, the City must collect certain information and review certain documentation concerning the employment authorization of individuals hired. This information and documentation will be used only for compliance with the Immigration Reform and Control Act, as amended, and not for any unlawful purpose. If an employee's employment authorization changes or terminates after the start date of employment, the employee will be responsible for informing the City Administrator or a Human Resources representative immediately.

SECTION 12: DISCIPLINARY MEASURES**12.01 Progressive Discipline**

To the extent practicable, the City prefers to pursue a course of progressive discipline, which may include the following options (in no particular order): verbal counseling, training, verbal reprimands, written reprimands, suspension with pay, suspension without pay, demotion, reduction in pay, and discharge.

12.02 Discretionary Discipline

Whether to take disciplinary action rests with the discretion of direct supervisor of the employee in consultation with the City Administrator and Human Resources Director and who shall not be bound by the terms or procedures of this Manual (which is solely a guide). The Mayor shall be consulted for any disciplinary action that involves an employee whose final hiring or firing authority rests with City Council.

12.03 Grievance Procedure

- (a) Employees or recently separated former employees dissatisfied with any employment issue, such as a possible job discrimination matter, health and safety issues, drug-related issues, or a disciplinary matter, may pursue a grievance.
- (b) Employees or recently separated former employees may submit a written grievance regarding any employment issue to the City Administrator within five (5) business days of the latest occurrence. A written grievance involving the City Administrator may be submitted to the Mayor within five (5) business days of the latest occurrence. The notice must specify what action was taken by the City or what action has been observed, and

how the action is either unwarranted or inappropriate.

- (c) The City will investigate, when necessary, allow the initiator of the grievance a reasonable opportunity to bring forth evidence and witnesses to support the initiator's case, and allow the initiator to question and fully refute any charges brought against the employee or recently separated former employee. The City Administrator shall issue a decision on all grievances to the submitting employee. For employees for which the City Administrator is the final hiring and termination authority, the City Administrator's decision is final. For employees for which the City Council is the final hiring and termination authority, the submitting employee may appeal the City Administrator's decision to the Mayor for consideration by City Council within five business days of receiving the decision of the City Administrator.

12.04 Personnel Files

Employees may request access to their personnel files via the City Administrator or Human Resources Director. In general, for individuals other than the employee, an employee's personnel file should be accessed only by those who have a job-related need to know or if a law requires the release. Under the Public Information Act, and subject to confidentiality rules set by state law, some or all of an individual's personnel file may be released to a member of the public if requested. Both at and following the time you separate from employment, the employee may make copies of documents in the employee's personnel file if you wish. Copying of such documents should be arranged with the Human Resources Director and will cost ten cents per copy, payable in advance. An electronic copy can be requested at no cost to the employee. Your personnel file will be maintained in City records in accordance with all applicable legal requirements.

SECTION 13: SEPARATIONS

13.01 Non-Disciplinary Separations

- (a) **Layoffs:** The City retains the ability to restructure all employment positions and perform any necessary Reductions in Force (RIFs).
- (b) **Resignation:** Employees may resign at any time. To remain in good standing, employees are encouraged to provide two (2) weeks' notice of any intent to voluntarily leave employment.
- (c) **Retirement:** Any retirement intentions must be in conformance with the City's retirement plan.

- 13.02 **Incapacity:** An employee may be separated if such employee is unable to perform the functions of the employee's position, as expressly provided in the job description for such position, with or without reasonable accommodation. A finding that an employee is Unfit for Duty shall be made only through individual medical determination by a competent medical authority as prescribed by the City Administrator and Mayor. The City Administrator may require that a current employee undergo a Fit for Duty evaluation, at the City's expense, to determine if such employee is able to satisfactorily perform the

essential functions of the employee's current position, and whether the employee can satisfactorily perform such functions with or without reasonable accommodation.

13.03 Discharge

Authority to terminate resides with the City Administrator unless the employee is hired by City Council pursuant to state law or this Manual. The City Administrator shall consult with the employee's supervisor and the City Attorney prior to termination. During an investigation related to discipline or discharge, the City Administrator may place the employee on paid or unpaid administrative leave. Either the City or employees may terminate the employment relationship, for any reason, or no reason (so long as the reason is not discriminatory, as established by this Manual).

A non-exhaustive list of grounds for discipline or discharge of an employee by the City include (but is not limited to) the following:

- (a) Insubordination
- (b) Neglect of Duty
- (c) Violation of City Policy, City Ordinance, State Law, or Federal Law
- (d) Failure to conduct self in a courteous and proper manner while on duty.
- (e) Misappropriation of Funds, Equipment, or Supplies
- (f) Persistent tardiness or truancy
- (g) Carelessness or Recklessness
- (h) Misconduct
- (i) Misuse of City equipment or information
- (j) Dishonesty
- (k) Violation of Personnel Manual
- (l) Incompetency
- (m) Harassment
- (n) Discourteous Conduct towards other employees, officials, or the public
- (o) Failure to attend mandatory meetings or trainings without cause

13.04 Return Items

On or before the last day of employment with the City, all departing employees must return all equipment, supplies, files, and resources provided to the employee by the City during the employee's tenure with the City.

13.05 Payment for Leave

The City will pay separated employees for untaken vacation leave of up to 120 hours if the employee has worked for the City for at least 1 year. Compensatory time will be paid-out upon termination for all exempt employees. Employees who are terminated or do not provide adequate notice of resignation shall not receive accrued vacation leave.

13.06 Reference

All reference inquiries are to be directed to the City Administrator or the City Administrator's designee. The City Administrator may designate an employee or former employee's supervisor or director as the appropriate individual to provide a reference.

Under state law, the City is allowed to provide a truthful employment reference regarding a current or former employee. However, the City is not required to provide an employment reference to or about a current or former employee.

City of Dripping Springs

ACKNOWLEDGEMENT

I, _____ (*printed name*), hereby acknowledge that I have received a copy of the City of Dripping Springs's ***Personnel Manual***. I have read and understood the information presented to me. If I have questions about anything I have read, I have asked my Supervisor for and received clarification. Specifically, I understand the following:

- My employment status is *at-will*, and either I or the City of Dripping Springs may terminate my employment at any time, with or without reason.
- I do not have a contract or term of office with the City of Dripping Springs unless it is through a separate written and signed agreement.
- My supervisor does not have the authority to enter into a contract with me. ○ Harassment and discrimination are not tolerated in the workplace.
- I share with my fellow employees a duty to prevent and report violations of the policies set forth in the Personnel Manual.
- My employer will promptly and thoroughly investigate all claims and take remedial measures, up to and including termination.

Employee's Signature

Witness's Signature

Date

Date

City of Dripping Springs

ELECTION REGARDING PERSONAL INFORMATION

TO THE CITY SECRETARY:

I, _____ (*printed name*), hereby make the following election with respect to allowing public access to information in the custody of the City of Dripping Springs that relates to my home address, home telephone number, and social security number or that reveals whether I have family members.

I do *not* want the City of Dripping Springs to disclose or allow public access to the following (*check all that apply*):

_____ My home address

_____ My home telephone number

_____ Information that reveals whether I have family members

Employee's Signature

Date

Attachment “A”
EMPLOYEE TRAINING AND REIMBURSEMENT AGREEMENT

THIS EMPLOYEE TRAINING AND REIMBURSEMENT AGREEMENT (the “Agreement”) dated _____, 20__, (“Effective Date”) is by and between, the City of Dripping Springs, a municipality in Hays County, and _____, a current employee of the City (“Employee”).

RECITALS

WHEREAS, Employee has requested and the City has agreed to pay for the Employee to attend a conference, meeting, seminar, workshop, training, educational course, or similar instructional class (collectively, “Training”); and

WHEREAS, in consideration for the City’s payment for the Training, Employee acknowledges that through attendance at such Training, Employee will acquire skills and enhance his or her professional skills or knowledge making the Employee more marketable; and

WHEREAS, Employee agrees to reimburse the City for the cost of such Training in the event that employment with the City is terminated in accordance with the terms of this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the above recitals and the individual and mutual covenants of the parties hereinafter set forth, and for other good and valuable consideration, it is hereby agreed by and between the parties hereto:

1. Cost of Training and Expenses. The City agrees to pay a total of \$_____ (“Cost”) for the following Training:

Name of Training: _____

Training Provided by: _____

Training Location: _____

Date(s) of Training: _____

In addition to the Cost of the Training, the City agrees to reimburse additional reasonable expenses related to attendance at such Training up to \$_____ for travel, food, and incidentals; provided that the Employee submits the appropriate expense reports and all receipts for the expenses associated with the Training and such expenses are reimbursable.

2. Reimbursement for Cost of Training. Except as provided below, Employee agrees to reimburse the City for the Cost of the Training paid by the City if the Employee’s employment terminates within two (2) years of completion of the Training. Employee agrees to reimburse the City within thirty (30) days of termination.

3. Salary Deduction. Employee agrees and authorizes the City to deduct the amount owed hereunder, to the extent permissible by law, from Employee’s pay following notification of termination of employment with the City. The City, in its sole discretion, may determine whether to deduct any amount owed from the Employee’s pay. If the amount owed under this Agreement exceeds the amount deducted from the Employee’s pay, in accordance with Section 2, Employee agrees to reimburse the City any remaining amount due to the City within thirty (30) days of terminating employment.

4. Continuation of Employment-at-Will Relationship. Employee and the City understand and agree that this Agreement does not constitute an employment agreement and nothing in this Agreement shall replace the Employee and the City’s at-will employment arrangement. Both Employee and the City understand that the employment relationship may be terminated by either party for any or no reason at any time prior to the termination of this Agreement.

5. Term. This Agreement shall be in effect from the Effective Date until all reimbursement, if any, is due under this Agreement.

6. Entire Agreement; Amendments. This Agreement contains the entire understanding of the parties. Employee and the City may mutually agree to modify the terms of this Agreement at any time; provided, however, that any such modification must be in writing and signed by both parties to this Agreement.

7. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Texas and any dispute shall have venue in Hays County.

8. Severability. If any provision of this Agreement is held to be invalid by a court of law, the remaining provisions shall remain in full force and effect.

9. Counterparts. This Agreement shall be executed in one or more counterparts and all such counterparts shall constitute one and the same instrument.

10. Headings. Headings of provisions of this Agreement are solely for the convenience of reference and are not a part of this Agreement and shall not affect the meaning, construction, operation, or effect hereof.

IN WITNESS WHEREOF, the City and Employee hereto have caused this Agreement to be executed on the date and year first above written.

EMPLOYEE

Employee Name: _____ (Printed)

CITY OF DRIPPING SPRINGS

Michelle Fischer, City Administrator

Attachment "B"
KEY CONTROL POLICY

The purpose of this *Key Control Policy* is to establish reasonable personal security for the staff of the City of Dripping Springs and to ensure the protection of personal and city property through the control of keys (including fobs) to city facilities.

In return for the loan of a key, employees: 1) shall not give or loan the key to others; 2) shall not make any attempts to copy, alter, duplicate, or reproduce the key; 3) shall use the key for authorized purposes only; 4) shall safeguard and store the key securely; 5) shall immediately report any lost or stolen keys; and 6) shall produce or surrender the key upon official request.

If a key is lost, stolen, or not surrendered when officially requested, a charge that reflects the cost of changing any and all locks and keys affected may be assessed. *Misuse of City Equipment including City keys may result in discipline up to and including discharge pursuant to Section 12.02 of the CITY OF DRIPPING SPRINGS PERSONNEL MANUAL.*

KEY DISTRIBUTION & RETURN

EMPLOYEE NAME: _____ DEPARTMENT: _____

ISSUE DATE: _____ ISSUER'S SIGNATURE: _____

RETURN DATE: _____ RECEIVER'S SIGNATURE: _____

REQUESTED ACTION/RECORD (circle those that apply)

KEY ISSUANCE	RETURNED KEY	LOCK OPENING
LOCK/HARDWARE CHANGE	REPORT OF LOST/STOLEN KEY	

DESCRIPTION OF KEY(S)

- | | |
|----------|-----------|
| 1. _____ | 6. _____ |
| 2. _____ | 7. _____ |
| 3. _____ | 8. _____ |
| 4. _____ | 9. _____ |
| 5. _____ | 10. _____ |

DETAILS

ACKNOWLEDGEMENT AND AGREEMENT

I, _____ (*printed name*), hereby acknowledge that I have received a copy of the City of Dripping Springs's **Key Control Policy**. I have read and understood the information presented to me. I agree to return any City of Dripping Springs keys/fobs to the City upon my separation from the City on or before the last day of my employment or upon request of the City Administrator.

In return for the loan of this key(s), I agree to: 1) not give or loan the key(s) to others; 2) not make any attempt to copy, alter, duplicate, or reproduce the key(s); 3) use the key(s) for authorized purposes only; 4) safeguard and store the key(s) securely; 5) immediately report any lost or stolen key(s); and 6) produce or surrender the key(s) upon official request. I also agree that if the key is lost, stolen, or not surrendered when officially requested, a charge that reflects the cost of changing any and all locks affected may be assessed.

Employee's Signature

City Administrator's Signature

Date

Date



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

Submitted By: Johnna Krantz, Community Events Coordinator

Council Meeting Date: April 1, 2025

Agenda Item Wording: **Approval of a Founders Day Participation Agreement with the Dripping Springs Lions Club regarding Food Vendor Booths and Carnival at the 2025 festival.** *Sponsor: Council Member Parks*

Agenda Item Requestor: Johnna Krantz, Community Events Coordinator

Summary/Background: The Dripping Springs Lions Club is to provide entertainment by The Mighty Thomas Carnival, as well as food vendor booths during the 2025 Founders Day Festival. The Carnival is to be located at the City Hall Property, Mercer St., and DSISD Administration Property. Food vendor booths will be located in the Right-of-Way on College Street.

The DS Lions Club will pay the City 25% of the profits from the carnival and 25% of booth rental fees with an electrical reimbursement fee of \$20.00 per food vendor.

Commercial Food Vendors are subject to inspection by the City Health Inspector and will pay a reduced flat rate fee of \$30.00 for their Temporary Food Establishment Permit because the festival is a City Sponsored Event. The TFE fee would be waived for Non-Profit Food Vendors.

Staff Recommendations: Approve the Participation Agreement with the Lions Club for the 2025 Founders Day Festival with reduced TFE permit fee for Commercial Food Vendors.

Attachments: 2025 - Dripping Springs Lions Club – Founders Day Participation _signed SGoss.pdf

Next Steps/Schedule: Execute the 2025 Founders Day Participation Agreements with the Dripping Springs Lions Club



DRIPPING SPRINGS
Texas
Founders Day Festival 2025
Participation Agreement

This *Founders Day 2025 Participation Agreement* (“**Agreement**”) is for the performance of certain goods and/or services, as specified below:

1. **PARTIES:** This Agreement is hereby executed by and between the City of Dripping Springs, Texas, and Dripping Springs Lions Club (“**Contractor**”).
2. **DEFINITIONS:**
 - (a) **City:** The City of Dripping Springs, a Type-A General Law Municipality located in Hays County, Texas.
 - (b) **City Council:** The governing body of the City of Dripping Springs.
 - (c) **Event:** The Founders Day Festival, a civic celebration, held in Dripping Springs, Texas from April 25-27, 2025.
3. **DESCRIPTION:** Contractor is hereby engaged to provide The Mighty Thomas Carnival and Food Vendor Booths, more particularly described in Attachments "A", "B" and "C", which are incorporated herein for all intents and purposes.
4. **SCOPE:** Agreement applies to Contractor's participation in the Event, which shall be conducted as more particularly described in Attachments "A", "B" and "C" from April 25 to April 27, 2025.
5. **LOCATION:** This Agreement is fully performable in Dripping Springs, Texas. The locations are as follows:
 - (a) **Carnival:** Lions Club will contract with the Mighty Thomas Carnival (MTC)-MTC will set up at the City Hall Property, Mercer Street Right of Way and DSISD Administration Property as described in Attachment "A" or as may be reasonably determined by the City.
 - (b) **Food Vendors:** All Food Vendor Booths located within the Rights-of-Way in the Designated Founders Day Area as described in Attachments "B" and "C" or as may be reasonably determined by the City.

6. CONSIDERATION: In consideration of Contractor's participation in the Event,

- (a) Contractor agrees to pay City 25% of the Carnival profits, 25% of the food vendor profits, and \$20.00 per food vendor to offset the cost of electricity.
- (b) Such fee shall be due and payable by check payable at the City's principal place of business no later than May 9, 2025.

7. TEMPORARY FOOD ESTABLISHMENTS:

- (a) **For-Profit Vendors:** All for-profit food vendors participating in the Event shall:
 - (i) pay a reduced flat fee of thirty dollars (\$30.00) per vendor, regardless of the number of days or booth spaces;
 - (ii) complete and submit the City's Temporary Food Establishment (TFE) form prior to the Event; and
 - (iii) be subject to inspection by the City Health Inspector during Event setup.
- (b) **Non-Profit Vendors:** All non-profit food vendors must complete and submit the TFE form but are exempt from the vendor fee requirement. Non-profit status must be verified through current 501(c)(3) documentation.
- (c) The City's Health Inspector shall have the authority to deny participation to any vendor failing to meet health and safety requirements during inspection.

8. SUPPLIES: Contractor agrees to provide all supplies, tools, and equipment necessary for performance under this Agreement.

9. DURATION: This Agreement shall be in effect for no more than one year and shall be deemed terminated when all duties and obligations created herein are fully satisfied.

10. TERMINATION:

- 10.1** This Agreement may be terminated by mutual consent of the parties.
- 10.2** This Agreement may be terminated by either party without prejudice upon written notice to the other party via certified mail, return receipt requested, thirty (30) days prior to commencement of the Event.
- 10.3** Termination shall release each party from all obligations of this Agreement, except as specified below.
- 10.4** Termination of this Agreement, as provided above, shall not prohibit, or impair any claim by either party based upon any breach of this Agreement.
- 10.5** The City shall determine if Contractor shall be relieved of Contractor's obligations to participate in the Event due to inclement weather.

- 10.6 Force Majeure:** In situations in which Contractor's participation in the Event is delayed, cancelled, or suspended due to acts of God, severe weather, natural disaster, state of public emergency, or strike, the terms of this Agreement are waived.

11. SITE MAINTENANCE:

- 11.1** Contractor shall not perform waste or damage the site.
- 11.2** Contractor shall exercise reasonable care and due diligence to avoid harming City premises upon which the Event occurs.
- 11.3** Contractor shall restore or rehabilitate the site and the access to it at the termination of this Agreement. This requirement shall not apply to normal wear and compression on the grass.
- 11.4** Contractor shall provide trash cans and remove all trash it generates from the Event.

- 12. INDEPENDENT CONTRACTOR:** The Parties agree that Contractor is an independent contractor and is neither an agent nor an employee of the City. Contractor is solely responsible for directing and controlling Contractor's resources and staff in order to achieve the goals of this Agreement.

- 13. SAFETY:** Contractor shall abide by all state, federal and local rules, and regulations. Contractor shall take all reasonable steps to ensure public safety and protection from fire damage.

14. INSURANCE:

- 14.1 City Insurance:** As the Event's primary sponsor and lead organizer, the City confirms that it has obtained liability coverage that applies to its streets and public areas, and covers the Event, generally.
- 14.2 Contractor's Insurance:** Contractor agrees to maintain general liability insurance to cover its own activities related to its performance under this Agreement. Contractor further agrees to name the City as an additional insured under Contractor's general liability insurance and agrees to provide the City a copy of the certificate of general liability insurance.

- 15. INDEMNIFICATION:** CONTRACTOR, CONTRACTOR'S AGENT'S AND/OR EMPLOYEES SHALL INDEMNIFY AND HOLD THE CITY, CITY'S AGENTS, EMPLOYEES, AND/OR VOLUNTEERS HARMLESS FOR ANY CLAIMS OR CAUSES OF ACTION STEMMING FROM THE CONTRACTOR'S PARTICIPATION AT THE EVENT, INCLUDING BUT NOT LIMITED TO PERSONAL INJURY AND LOST OR DAMAGE TO PROPERTY.

- 16. RULES:** The Contractor shall adhere to all rules established for the Event by the Founders Day Commission.

17. CONTROLLING LAW & VENUE: Any and all disputes that may arise in relation to this Agreement shall be subject to the laws of the State of Texas. Venue for any disputes arising under this Agreement shall be in *Hays County, Texas*.

18. NOTICES: Any notice provided for by this Agreement and any other notice, demand, or communication which either party may wish to send to the other, shall be in writing and given by (a) hand delivery, (b) express overnight delivery service, or (c) registered or certified United States mail, return receipt requested. Notices shall be addressed to the party for whom such notice, demand or communication is intended at such party's address as set forth below:

To the City:

City of Dripping Springs
Attn: City Administrator
PO Box 384
Dripping Springs, TX 78620
(512) 858-4725

To the Contractor:

Dripping Springs Lions Club
Attn: Board President
PO Box 53
Dripping Springs, TX 78620

19. ASSIGNMENT: Neither party shall assign, sublet, or transfer any interest in this Agreement without written consent of the other Party. Nothing herein shall be construed as giving any rights or benefits hereunder to anyone other than the City and Contractor.

20. BINDING ON SUCCESSORS: This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

21. SEVERABILITY: Any provisions of the Agreement prohibited or unenforceable by law shall be ineffective without affecting any other provision of this Agreement or shall be deemed to be severed or modified to conform to such law, and the remaining provisions of this Agreement shall remain in force, provided that the purpose of this Agreement can be achieved. To the full extent, however, that the provisions of such applicable law may be waived, they are hereby waived to the end that this Agreement be deemed to be a valid and binding agreement enforceable in accordance with its terms.

22. MERGER: This instrument, and all Attachments affixed hereto, constitutes the entire Agreement between the City and Contractor. To the extent there are any conflicts between this Agreement and the attachments, this Agreement shall govern. This Agreement supersedes all other agreements, oral or written, made with respect to the Event.

23. MANDATORY DISCLOSURES: Texas law requires that vendors make certain disclosures. Prior to the effective date of this Contract, the Contractor has submitted to the City a copy of the Conflict of Interest Questionnaire form (CIQ Form) approved by the Texas Ethics Commission (Texas Local Government Code Chapter 176. The Contractor also

confirms it is in compliance with all Texas requirements related to government contracts including: (1) no boycott of Israel; (2) not listed as a foreign terrorist organization by the Texas Comptroller of Public Accounts; (3) Contractor does not have a policy or practice of discriminating against firearm entities or firearm trade associations; (4) Contractor does not boycott energy companies; and Contractor is compliant with all other Texas laws including any additional disclosure requirements.

24. MODIFICATIONS: All amendments or modifications to the Agreement must be in writing. No modification shall be effective until approved by both parties.

25. COUNTERPARTS: This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of such counterparts together shall constitute but one and the same instrument.

BE IT HEREBY AGREED & APPROVED, for good and valuable consideration, as described herein, the sufficiency of which is hereby acknowledged.


CITY OF DRIPPING SPRINGS

DRIPPING SPRINGS LIONS CLUB

Michelle Fischer, City Administrator


Sharon Goss, President

Date



Date



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

Submitted By: Johnna Krantz, Community Events Coordinator

Council Meeting Date: April 1, 2025

Agenda Item Wording: **Approval of a Property Use Agreement between the City, Dripping Springs Lions Club, and Dripping Springs Independent School District during the 2025 Founders Day Festival. Sponsor: Council Member Parks**

Agenda Item Requestor: Johnna Krantz, Community Events Coordinator

Summary/Background: The Dripping Springs Lions Club has historically made use of a portion of City and DSISD property along Mercer Street to host the Mighty Thomas Carnival during the Founders Day Festival. This agreement would permit the Dripping Springs Lions Club to utilize the facilities described, as well as allowing for Rotary Club “bus stop” booths on DSISD property in order to facilitate the free public shuttle between parking at the High School and the entrance of the Carnival during the 2025 Founders Day Festival, in accordance with City and DSISD facility use policy.

Accommodations will be made to account for use of the DSISD Admin Building as an Early Voting location on Friday and Saturday of the festival.

Staff Recommendations: Recommend approval of DSISD facility use agreement with consideration for Early Voter access to the location at 300 Sportsplex Drive.

Recommended Council Actions:

Attachments: 2025 – DSISD and Lions Club – Founders Day Use Agreement.pdf

Next Steps/Schedule: Approve and execute the Agreement for the 2025 Founders Day Festival.



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

Submitted By: Shawn Cox, Deputy City Administrator

Council Meeting Date: Tuesday, April 1, 2025

Agenda Item Wording: **Presentation and consideration of approval of the City of Dripping Springs Fiscal Year 2023-2024 Audit.** *Presenter, Roger Tovar, Whitley Penn.*

Agenda Item Requestor:

Summary/Background:

The City's Auditor, Whitley Penn, will present the Annual Audit on the Fiscal Year 2023-2024 Budget. The final draft will be provided to Council at the meeting and once accepted by Council, will be certified.

Delayed to April 1, 2025 from March 25, 2025.

**Commission
Recommendations:**

**Recommended
Council Actions:** The Deputy City Administrator recommends acceptance of the Fiscal Year 2023-2024 Audit, provided by Whitley Penn.

Attachments:

Next Steps/Schedule:

CITY OF DRIPPING SPRINGS, TEXAS



DRIPPING SPRINGS
Texas

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

For the Fiscal Year Ended
September 30, 2024

Draft

Draft

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Dripping Springs, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dripping Springs, Texas (the City), as of and for the year ended September 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

To the Honorable Mayor and
Members of City Council
City of Dripping Springs, Texas

Auditor’s 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 auditor’s 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 GAAS and *Government 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 GAAS and *Government 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 management’s discussion and analysis, budgetary comparison information, pension information, and other post-employment benefit information, as listed in 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.

To the Honorable Mayor and
Members of City Council
City of Dripping Springs, Texas

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 non-major governmental fund financial statements are presented for purposes of additional analysis and are not a required part 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Austin, Texas
March 21, 2025

Draft



CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dripping Springs, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$106,564,699 (net position). The unrestricted net position, which represents the amounts available to meet the City's ongoing obligations to citizens and creditors, was \$24,548,061.
- The City's total net position increased by \$15,506,888. The increase is primarily due to increase interest income and capital contributions of \$12,503,254 during the current period.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$13,957,383, a decrease of \$1,040,824 in comparison with the prior year. Of this amount, \$7,322,162, or 52%, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,335,916, or approximately 64% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components, **government-wide financial statements**, **fund financial statements**, and **notes to the financial statements**. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide financial statements

The government-wide financial statements are comprised of the **Statement of Net Position** and the **Statement of Activities**. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs. Therefore, assets, liabilities, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The **Statement of Net Position** presents information on all of the City's assets and liabilities, including capital assets, with the difference between the two 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 as a whole is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal 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*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, development, public safety, public works, and culture and recreation. The business-type activities of the City include water and wastewater.

The Tax Increment Reinvestment Zone Number One and Tax Increment Reinvestment Zone Number Two are included as blended component units.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Reporting on the City's Most Significant Funds

Fund Financial Statements

The fund financial statements focus on current available resources and are organized and operated on the basis of funds, which are defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities. The City has two governmental funds.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules found within the governmental fund statements.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Dripping Springs Ranch Park Fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules of this report.

The City adopts an annual appropriated budget for the governmental fund. Budgetary comparison statements for the General Fund are included in the Required Supplementary Information of this report.

Proprietary Funds – The City uses a proprietary (business-type) fund to account for its water and wastewater operations. The full-accrual basis of accounting is used the proprietary type fund.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment benefits, pension information and general fund budgetary comparisons. Required supplementary information can be found in the City's Annual Financial Report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and supporting schedules can be found in the City's Annual Financial Report.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-Wide Financial Analysis

Statement of Net Position - Net position serves as one useful indicator of a government's financial position. The City's net position increased from \$91,057,811 to \$106,564,699. The \$78,328,661 portion of the City's net position consists of net investment in capital assets; land, buildings, infrastructure, and equipment, less any outstanding debts used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

City of Dripping Springs, Texas
 Summary of Statement of Net Position
 As of September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 16,211,743	\$ 18,040,998	\$ 61,329,607	\$ 57,174,580	\$ 77,541,350	\$ 75,215,578
Capital assets, net	38,949,264	31,742,237	37,250,295	31,360,678	76,199,559	63,102,915
Total Assets	55,161,007	49,783,235	98,579,902	88,535,258	153,740,909	138,318,493
Deferred Outflows	220,540	255,645	28,040	23,402	248,580	279,047
Other liabilities	2,223,653	3,020,585	1,851,333	932,970	4,074,986	3,953,555
Long-term Liabilities	769,631	886,544	42,518,850	42,638,344	43,288,481	43,524,888
Total Liabilities	2,993,284	3,907,129	44,370,183	43,571,314	47,363,467	47,478,443
Deferred Inflows	54,405	56,146	6,918	5,140	61,323	61,286
Net Position						
Net investment in capital assets	38,581,538	31,287,254	39,747,123	31,663,857	78,328,661	62,951,111
Restricted	3,687,977	3,153,813	-	-	3,687,977	3,153,813
Unrestricted	10,064,343	11,634,538	14,483,718	13,318,349	24,548,061	24,952,887
Total Net Position	\$ 52,333,858	\$ 46,075,605	\$ 54,230,841	\$ 44,982,206	\$ 106,564,699	\$ 91,057,811

The largest portion of the City's net position (74%) is reflected in its net investment in capital assets. Since the City uses these capital assets to provide services to its citizens, they are not available for future spending. Net positions subject to external restriction on how they may be used comprise 3% of the City's net position. Unrestricted net position comprises 22% of net position. Unrestricted net position may be used to meet the City's ongoing obligations to its citizens and creditors.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Activities - The City's overall net position increased \$15,506,888 from the prior fiscal year. The reasons for this overall increase are discussed below.

City of Dripping Springs, Texas
 Changes in Net Position
 Years Ended September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for Services	\$ 4,170,884	\$ 4,957,154	\$ 4,256,433	\$ 3,496,106	\$ 8,427,317	\$ 8,453,260
Operating grants and contributions	27,315	-	-	-	27,315	-
Capital grants and contributions	8,174,964	15,717,883	4,328,290	12,986,896	12,503,254	28,704,779
General revenues:						
Property taxes	3,332,892	3,228,063	-	-	3,332,892	3,228,063
Other taxes	5,149,211	4,901,368	1,303,383	1,251,125	6,452,594	6,152,493
Interest Income	390,415	199,830	2,462,174	1,765,244	2,852,589	1,965,074
Miscellaneous	581,189	750,439	1,332,007	15,899	1,913,196	766,338
Total Revenues	21,826,870	29,754,737	13,682,287	19,515,270	35,509,157	49,270,007
Expenses						
General government	4,789,618	4,434,116	-	-	4,789,618	4,434,116
Development services	1,910,251	1,976,157	-	-	1,910,251	1,976,157
Public safety	87,303	201,774	-	-	87,303	201,774
Public works	3,672,526	2,280,867	-	-	3,672,526	2,280,867
Parks and community	3,833,241	3,344,837	-	-	3,833,241	3,344,837
Interest on debt	18,556	19,265	-	-	18,556	19,265
Water and wastewater	-	-	5,690,774	4,268,232	5,690,774	4,268,232
Total Expenses	14,311,495	12,257,016	5,690,774	4,268,232	20,002,269	16,525,248
Increase in Net Position						
Before Transfers	7,515,375	17,497,721	7,991,513	15,247,038	15,506,888	32,744,759
Transfers	(1,257,122)	29,911	1,257,122	(29,911)	-	-
Change in Net Position	6,258,253	17,527,632	9,248,635	15,217,127	15,506,888	32,744,759
Net Position, Beginning	46,075,605	28,547,973	44,982,206	29,765,079	91,057,811	58,313,052
Net Position, Ending	\$ 52,333,858	\$ 46,075,605	\$ 54,230,841	\$ 44,982,206	\$ 106,564,699	\$ 91,057,811

Net position in governmental activities increased \$6.3 million over prior year mainly due to a significant increase in revenues offset by an increase in expenses. Total governmental revenues decreased approximately \$7.9 million from the previous year. This decrease was caused primarily by developer contributions of \$8.2 million in the current year, compared to \$15.7 million in the prior year. Total governmental expenses increased approximately \$2.1 million over the previous year. The increases were due mainly to increased general government, public works, and parks and community expenses.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net position in business-type activities increased million over prior year mainly due to an increase in interest income and other revenues, including a capital contributions of \$4.3 million offset by an increase in expenses. Total business-type revenues decreased approximately \$5.8 million from previous year. The decrease in revenues is due to a \$4.3 million dollar contribution from developers, compared to \$13.0 million in the prior year. Business-type expenses increased significantly from the prior year due to increased payroll costs and general maintenance expenses.

Financial Analysis of the City's Funds

Governmental Funds - The City has ten governmental funds - the general fund, the debt service fund, and eight special revenue funds. For the year ended September 30, 2024, the governmental fund balances decreased by \$1.0 million to \$14.0 million. The restricted portion of the fund balance totaled \$3.7 million; \$2.9 million in fund balance is committed; and \$7.3 million in fund balance is unassigned. The General Fund accounts for all the unassigned portion of fund balance at year-end, outside of a deficit of \$13,754 in the nonmajor governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, *unassigned fund balance* amounted to \$7.3 million, a decrease of \$2.2 million from the prior fiscal year. This decrease was due to an increase in public works and culture and recreation expenses. As measure of the General Fund's liquidity, it may be useful to compare total fund balance, to total fund expenditures. Total fund balance represents 64% of total General Fund expenditures.

The fund balance of the Dripping Springs Ranch Park Fund was \$124,979, an increase of \$20,419 from the prior fiscal year.

Proprietary Fund - The proprietary fund is used to account for operating activity of the water and wastewater system. The proprietary fund net position increased million to \$54.2 million total. The increase is due to increase in investment income and over \$4.3 million in developer contributions.

Capital Assets and Debt Administration

Capital Assets - At September 30, 2024, the City had \$76,199,559, net of depreciation/amortization, invested in capital assets. Capital assets increased by \$13,096,644 million in the current year. The increase is due to developer contributions offset by depreciation/amortization during the year. Capital Assets, net of depreciation/amortization, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 5,930,814	\$ 5,930,814	\$ -	\$ -	\$ 5,930,814	\$ 5,930,814
Buildings	540,993	578,269	3,272,519	-	3,813,512	578,269
Improvements	5,701,490	6,006,921	-	-	5,701,490	6,006,921
Machinery and equipment	435,020	388,682	79,605	115,788	514,625	504,470
Infrastructure	26,276,580	18,752,875	33,249,043	30,426,547	59,525,623	49,179,422
RTU Lease asset	-	-	649,128	818,343	649,128	818,343
RTU SBITA asset	64,367	84,676	-	-	64,367	84,676
Totals	\$ 38,949,264	\$ 31,742,237	\$ 37,250,295	\$ 31,360,678	\$ 76,199,559	\$ 63,102,915

More information on capital assets can be found in Note 5 to the financial statements.

CITY OF DRIPPING SPRINGS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Debt – Bonded debt increased \$1,770,000 during the year. The increase is due to issuance of tax notes, less principal payments made during the year on the bonds. Bonded debt for the City is as follows:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ -	\$ -	\$ 1,310,000	\$ 1,965,000	\$ 1,310,000	\$ 1,965,000
Certificates of Obligation	325,000	400,000	39,820,000	39,820,000	40,145,000	40,220,000
Tax Notes	-	-	2,500,000	-	2,500,000	-
Totals	\$ 325,000	\$ 400,000	\$ 43,630,000	\$ 41,785,000	\$ 43,955,000	\$ 42,185,000

More information on debt can be found in Note 6 to the financial statements.

General Fund Budgetary Highlights

The largest single revenue source is Sales Tax Revenue collected and were estimated at \$4.7 million for 2024. Licenses and permits were budgeted at \$2.7 million while property taxes were budgeted at \$3.3 million. Overall, the City’s actual revenues were approximately \$680,000 under budget. General Fund expenditures were budgeted at \$12,568,797 for fiscal year 2024. For the year ended September 30, 2024, the City’s actual expenditures were \$11,393,723, \$1,175,075 under legally adopted appropriations.

Economic Factors and Next Year's Budget And Rates

For Fiscal Year 2023-2024, the City’s total appraised property value rose \$456,102,382 from \$1,457,515,214 to \$1,913,617,596. As a result, the City was able to lower its tax rate from \$.1778 to \$.1718 per \$100 valuation. Additionally, it is anticipated that commercial and residential growth will continue, further improving the City’s ability to provide unique living experience for Dripping Springs’s residents. For this fiscal year, the City anticipates completing its Comprehensive Plan - Reimagine Dripping Springs, which when completed will establish priorities for the area’s future land use and major development projects.

Similar to Fiscal Year 2022-2023, the City’s provision of utilities has continued to expand. In Fiscal Year 2022-2023, continued to provide retail water services, in addition to wastewater services. While the City anticipates providing retail water service to over 6,500 LUE’s (living unit equivalents) only 44 were active by the end of the fiscal year.

Additionally, the City anticipated resolving all issues related to its approved TCEQ Wastewater Discharge permit, allowing the City to begin construction to expand its existing wastewater system. This construction has already been fully funded through the Texas Water Development Board.

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's resources and to show the City's accountability for the money it receives and disburses.

If you have questions about the report or need additional financial information, contact the City Administrator at the City of Dripping Springs.

BASIC FINANCIAL STATEMENTS



CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

Item # 6.

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,975,864	\$ 13,080,642	\$ 28,056,506
Restricted assets - cash and cash equivalents	-	44,958,115	44,958,115
Receivables (net of allowance for uncollectibles)	1,308,314	3,218,415	4,526,729
Internal balances	(72,435)	72,435	-
Capital assets not subject to depreciation/amortization	5,930,814	-	5,930,814
Capital assets, net of accumulated depreciation/amortization	<u>33,018,450</u>	<u>37,250,295</u>	<u>70,268,745</u>
Total Assets	<u>55,161,007</u>	<u>98,579,902</u>	<u>153,740,909</u>
Deferred Outflows of Resources			
Pension related	207,673	26,404	234,077
OPEB related	12,867	1,636	14,503
Total Deferred Outflows of Resources	<u>220,540</u>	<u>28,040</u>	<u>248,580</u>
Liabilities			
Current Liabilities:			
Accounts payable	1,640,922	717,582	2,358,504
Accrued liabilities	1,108	-	1,108
Accrued interest payable	1,080	130,252	131,332
Deposits payable	74,675	1,003,499	1,078,174
Unearned revenue	505,868	-	505,868
Non-current liabilities:			
Due within one year	338,420	3,076,153	3,414,573
Due in more than one year	431,211	39,442,697	39,873,908
Total Liabilities	<u>2,993,284</u>	<u>44,370,183</u>	<u>47,363,467</u>
Deferred Inflows of Resources			
Pension related	35,359	4,496	39,855
OPEB related	19,046	2,422	21,468
Total Deferred Inflows of Resources	<u>54,405</u>	<u>6,918</u>	<u>61,323</u>
Net Position			
Net Investment in capital assets	38,581,538	39,747,123	78,328,661
Restricted for:			
Debt service	101,453	-	101,453
Development	3,416,041	-	3,416,041
Culture and recreation	170,483	-	170,483
Unrestricted	<u>10,064,343</u>	<u>14,483,718</u>	<u>24,548,061</u>
Total Net Position	<u>\$ 52,333,858</u>	<u>\$ 54,230,841</u>	<u>\$ 106,564,699</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Item # 6.

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 4,789,618	\$ 746,727	\$ 27,315	\$ -	\$ (4,015,576)	\$ -	\$ (4,015,576)
Development	1,910,251	2,715,090	-	-	804,839	-	804,839
Public safety	87,303	-	-	-	(87,303)	-	(87,303)
Public works	3,672,526	-	-	8,174,964	4,502,438	-	4,502,438
Culture and recreation	3,833,241	709,067	-	-	(3,124,174)	-	(3,124,174)
Interest on long-term debt	18,556	-	-	-	(18,556)	-	(18,556)
Total Governmental Activities	14,311,495	4,170,884	27,315	8,174,964	(1,938,332)	-	(1,938,332)
Business-type Activities:							
Water and wastewater	5,690,774	4,256,433	-	4,328,290	-	2,893,949	2,893,949
Total Business-type Activities:	5,690,774	4,256,433	-	4,328,290	-	2,893,949	2,893,949
Total Primary Government	\$ 20,002,269	\$ 8,427,317	\$ 27,315	\$ 12,503,254	\$ (1,938,332)	\$ 2,893,949	\$ 955,617
General Revenues and Transfers:							
Taxes:							
Property taxes					3,332,892	-	3,332,892
Sales and use taxes					4,955,999	937,810	5,893,809
Other taxes					193,212	365,573	558,785
Unrestricted Investment earnings					390,415	2,462,174	2,852,589
Miscellaneous					581,189	1,332,007	1,913,196
Transfers					(1,257,122)	1,257,122	-
Total General Revenues and Transfers					8,196,585	6,354,686	14,551,271
Change in Net Position					6,258,253	9,248,635	15,506,888
Net Position, Beginning					46,075,605	44,982,206	91,057,811
Net Position, Ending					\$ 52,333,858	\$ 54,230,841	\$ 106,564,699

CITY OF DRIPPING SPRINGS, TEXAS
BALANCE SHEET GOVERNMENTAL FUNDS
September 30, 2024

	General	Dripping Springs Ranch Park	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Cash and cash equivalents	\$ 8,186,119	\$ 237,373	\$ 6,552,373	\$ 14,975,865
Property Taxes Receivable	31,787	-	-	31,787
Sales Tax Receivable	318,118	-	-	318,118
Other Receivables	836,789	-	121,620	958,409
Total Assets	\$ 9,372,813	\$ 237,373	\$ 6,673,993	\$ 16,284,179
Liabilities:				
Accounts payable	\$ 1,390,988	\$ 102,724	\$ 147,211	\$ 1,640,923
Accrued liabilities	1,108	8,791	-	9,899
Due to other funds	41,262	879	30,294	72,435
Unearned revenues	505,868	-	-	505,868
Developer deposits	65,884	-	-	65,884
Total Liabilities	2,005,110	112,394	177,505	2,295,009
Deferred Inflows of Resources				
Unavailable revenue - property taxes	31,787	-	-	31,787
Total Deferred Inflows of Resources	31,787	-	-	31,787
Fund Balances:				
Restricted for:				
Debt service	-	-	102,534	102,534
Development	-	-	3,416,041	3,416,041
Culture and recreation	-	124,979	45,504	170,483
Committed:				
Reserve	-	-	2,946,163	2,946,163
Unassigned:	7,335,916	-	(13,754)	7,322,162
Total Fund Balances	7,335,916	124,979	6,496,488	13,957,383
Total Liabilities and Fund Balances	\$ 9,372,813	\$ 237,373	\$ 6,673,993	\$ 16,284,179

CITY OF DRIPPING SPRINGS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total Fund Balance - Governmental Funds \$ 13,957,383

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 38,949,264

Certain other long-term assets (property taxes) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position. 31,787

Some liabilities and deferred outflows and inflows are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.

Bonds payable	(325,000)
SBITA payable	(42,726)
Interest payable	(1,080)
Compensated absences	(250,239)
Deferred inflows/outflows related to pensions	172,314
Deferred inflows/outflows related to OPEB	(6,179)
Net pension liability	(117,071)
Total OPEB liability	<u>(34,595)</u>

Net Position of Governmental Activities \$ 52,333,858

Draft

CITY OF DRIPPING SPRINGS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2024

	General	Dripping Springs Ranch Park	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 2,828,567	\$ -	\$ 496,067	\$ 3,324,634
Sales and use taxes	3,751,240	-	1,204,759	4,955,999
Franchise taxes	61,203	-	29,954	91,157
Mixed drink tax	102,055	-	-	102,055
Licenses and permits	2,721,898	-	-	2,721,898
Intergovernmental revenues	50	-	-	50
Charges for services	740,497	301,717	80,785	1,122,999
Interest Income	215,193	8,170	172,632	395,995
Donations	3,904	-	25,150	29,054
Miscellaneous	477,250	410,501	12,056	899,807
Total Revenues	10,901,857	720,388	2,021,403	13,643,648
Expenditures				
Current:				
General government	3,220,837	-	-	3,220,837
Public safety	87,864	-	-	87,864
Public works	3,775,389	-	-	3,775,389
Development	1,914,461	-	589,605	2,504,066
Culture and recreation	2,380,716	990,169	362,253	3,733,138
Debt Service:				
Principal	12,257	-	75,000	87,257
Interest and fiscal charges	2,199	-	16,600	18,799
Total Expenditures	11,393,723	990,169	1,043,458	13,427,350
Excess of Revenues				
Over Expenditures	(491,866)	(269,781)	977,945	216,298
Other Financing Sources (Uses)				
Transfers in	164,117	322,345	835,726	1,322,188
Transfers out	(1,840,550)	(32,145)	(706,615)	(2,579,310)
Total Other Financing Sources (Uses)	(1,676,433)	290,200	129,111	(1,257,122)
Change in Fund Balance	(2,168,299)	20,419	1,107,056	(1,040,824)
Fund Balances, Beginning	9,504,215	104,560	5,389,432	14,998,207
Fund Balances, Ending	\$ 7,335,916	\$ 124,979	\$ 6,496,488	\$ 13,957,383

CITY OF DRIPPING SPRINGS, TEXAS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND****CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****For the Year Ended September 30, 2024**

Net Changes in Fund Balance -- Governmental Fund	\$ (1,040,824)
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/amortization expense.	142,993
Developers contributions are not reported in governmental funds.	8,174,964
Depreciation and amortization expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds.	(1,110,930)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	8,258
Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceed proceeds.	
Debt Service principal	87,257
Total OPEB expense is not recognized in governmental funds	(2,451)
Total Pension Expense is not recognized in governmental funds	27,811
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Increase in compensated absences	(29,068)
Increase in accrued interest	243
Changes in Net Position of Governmental Activities	<u>\$ 6,258,253</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2024

	<u>Water and Wastewater</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 13,080,642
Restricted cash, cash equivalents	44,958,115
Accounts receivable, net of allowance for doubtful accounts	3,218,415
Due from other funds	72,435
Total Current Assets	<u>61,329,607</u>
Noncurrent Assets:	
Capital assets:	
Buildings	3,444,757
Infrastructure	42,683,319
Equipment	185,739
Right-to-use lease asset	846,075
Less accumulated depreciation/amortization	<u>(9,909,595)</u>
Total Noncurrent Assets	<u>37,250,295</u>
Total Assets	<u>98,579,902</u>
Deferred Outflows of Resources	
Pension related	26,404
OPEB related	1,636
Total Deferred Outflows of Resources	<u>28,040</u>
Liabilities	
Current liabilities:	
Accounts payable	717,582
Accrued interest payable	130,252
Customer deposits	1,003,499
Bonds payable - current	655,000
Certificates of obligation - current	1,865,000
Tax notes	355,000
Lease payable - current	162,873
Total Current Liabilities	<u>4,889,206</u>
Noncurrent Liabilities:	
Compensated absences	38,280
Bonds payable	655,000
Certificates of obligation	36,125,000
Tax notes	2,145,000
Lease payable	498,414
Net pension liability	14,885
Total OPEB liability	<u>4,398</u>
Total Noncurrent Liabilities	<u>39,480,977</u>
Total Liabilities	<u>44,370,183</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	4,496
Deferred inflows related to OPEB	2,422
Total Deferred Inflows of Resources	<u>6,918</u>
Net Position	
Net investment in capital assets	39,747,123
Unrestricted	14,483,718
Total Net Position	<u>\$ 54,230,841</u>

CITY OF DRIPPING SPRINGS, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND***For the Year Ended September 30, 2024*

	<u>Water and Wastewater</u>
Operating Revenues	
Charges for services	\$ 4,256,433
Sales taxes	937,810
Miscellaneous	1,697,580
Total Operating Revenues	<u>6,891,823</u>
Operating Expenses	
Personnel	648,058
Supplies and materials	207,339
Contractual services	870,591
Other services	220,480
Repairs and maintenance	1,412,102
Depreciation/amortization	1,883,430
Total Operating Expenses	<u>5,242,000</u>
Operating Income	<u>1,649,823</u>
Non-Operating Revenues (Expenses)	
Interest expense	(448,774)
Interest Income	2,462,174
Total Non-Operating Expenses	<u>2,013,400</u>
Income Before Contributions and Transfers	<u>3,663,223</u>
Contributions and Transfers	
Capital contributions	4,328,290
Transfers in	1,257,122
Total Contributions and Transfers	<u>5,585,412</u>
Change in Net Position	9,248,635
Net Position, Beginning	<u>44,982,206</u>
Net Position, Ending	<u>\$ 54,230,841</u>

CITY OF DRIPPING SPRINGS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2024

	<u>Water and Wastewater</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,416,718
Other receipts	2,635,390
Payments to suppliers and service providers	(2,367,210)
Payment to employees for salaries and benefits	<u>(628,915)</u>
Net Cash Provided by Operating Activities	<u>3,055,983</u>
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	<u>1,257,122</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,257,122</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(2,485,000)
Principal paid on lease	(156,497)
Acquisition and construction of capital assets	(3,444,757)
Proceeds from issuance of bonds	2,500,000
Interest paid on capital debt	<u>(455,990)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(4,042,244)</u>
Cash Flows from Investing Activities	
Interest Income	<u>2,462,174</u>
Net Cash Provided by Investing Activities	<u>2,462,174</u>
Change in Cash and Cash Equivalents	2,733,035
Cash and cash equivalents, beginning	<u>55,305,722</u>
Cash and Cash Equivalents, Ending	<u>\$ 58,038,757</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 1,649,823
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	1,883,430
Increase in accounts receivable	(1,421,992)
Increase in pension related deferred outflows of resources	(4,140)
Increase in OPEB related deferred outflows of resources	(498)
Increase in accounts payable	343,302
Increase in deposits payable	582,277
Increase in compensated absences	21,980
Decrease in net pension liability	(1,908)
Increase in net OPEB liability	1,931
Increase in pension related deferred inflows of resources	1,536
Increase in OPEB related deferred inflows of resources	<u>242</u>
Net cash provided by operating activities	<u>\$ 3,055,983</u>
Schedule of Non-Cash Capital and Related Financing Activities:	
Contributions of capital assets	\$ 4,328,290



CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Dripping Springs, Texas (the City) provides a full range of municipal services including public safety, public works, development, culture and recreation, and general administrative services. In addition, the City provides water and wastewater service as a proprietary function of the City. The accounting policies of the City of Dripping Springs conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a general law city governed by an elected mayor and a five-member City Council. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Blended Component Units

The City of Dripping Springs Tax Increment Reinvestment Zone No. 1 (TIRZ#1) is fiscally dependent on the City, as the City approves their budgets and any debt issuances; TIRZ#1 qualifies for blending because the City's Council controls the Board as they appoint the majority of the Board. TIRZ#1 is also financially dependent on the City. TIRZ#1 is reported as a blended component unit of the City and it does not issue separate financial statements.

The City of Dripping Springs Tax Increment Reinvestment Zone No. 2 (TIRZ#2) is fiscally dependent on the City, as the City approves their budgets and any debt issuances; TIRZ#2 qualifies for blending because the City's Council controls the Board as they appoint the majority of the Board. TIRZ#2 is also financially dependent on the City. TIRZ#2 is reported as a blended component unit of the City and it does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position reports the assets and liabilities of the primary government. The net position section of this statement represents the residual amount of assets less their associated liabilities. The net position section is divided into three categories. The first category is Net Investment in Capital Assets, which includes all capital assets, net of accumulated depreciation, less any outstanding debt associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is Restricted Net Position, which includes those assets that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is Unrestricted Net Position, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, like cash.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and the enterprise fund are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

Governmental Funds

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 government 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 principal and interest expenditures on general long-term debt, including subscription-based technology arrangements (SBITA) liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund - is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the City.

Dripping Springs Ranch Park – is one for the City's special revenue funds. It accounts for all financial resources for the Dripping Springs Ranch Park, a park and event center.

Nonmajor governmental funds include the debt service fund, which accounts for the accumulation of resources that are for the payment of principal and interest on the City's general long-term debt. The City also reports seven special revenue funds that are considered nonmajor. These funds account for specific revenue sources that are restricted or committed to expenditures for particular purposes.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Proprietary Funds

Proprietary funds are those used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net position and changes in net position.

The City has one proprietary fund and it is reported as a major fund.

The Water Wastewater Fund - The fund accounts for the activities for which outside users are charged a fee roughly equal to the cost of providing water and wastewater services.

Budgetary Information

The City Mayor submits an annual budget to the City Council. In September, the City Council adopts annual fiscal year budgets for specific City funds. Budgets for the General Fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position

Deposits and Investments

For purposes of the Statement of Cash Flows, the City's cash and cash investments are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less from the date of acquisition. The depository bank pays the City interest on all funds on deposit.

As of September 30, 2024, the City does not hold any investments and only has interest bearing cash accounts.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Property Taxes (continued)

Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2024, the City does not have an allowance for uncollectible tax receivables as the total balance of the taxes receivable is not significant to the financial statements.

Restricted Assets

In accordance with applicable covenants of bond issues or other agreements, appropriate assets have been restricted.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets, right-to-use lease assets, and right-to-use SBITA assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 two years. The City has established a lease and SBITA recognition threshold of \$5,000 and \$5,000 respectively. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized but are charged to operations as incurred. Improvements and betterments which materially extend the useful lives of capital assets are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included a part of the capitalized value of the assets constructed. Contributions of capital assets from external sources are recorded as capital contribution revenue. Property, plant, equipment, the right-to-use lease assets, and right-to-use SBITA assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings	15-40 years
Building improvements	15-40 years
Infrastructure	10-40 years
Machinery and equipment	5-10 years
Right-to-use lease asset	Lease Term
Right-to-use SBITA asset	Subscription Term

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is accrued depending on level of employment and years of service. Vacation can be accrued depending on years of service with the City. Accrued vacation is paid upon retirement or termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Long-term Obligations

In the government-wide financial statements and proprietary 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.

Leases

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITA)

The City is under contract for SBITA for various software. The agreement/contract are noncancellable and the City recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the SBITA, the City initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the City determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Subscription-Based Information Technology Arrangements (SBITA) (continued)

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Pensions and Other Post-Employment Benefits (OPEB)

The City has Pension and OPEB for supplemental death benefits fund (SDBF) with the Texas Municipal Retirement System (TMRS). For purposes of measuring the net pension and total OPEB liability from TMRS, pension/OPEB related deferred outflows and inflows of resources, and pension/OPEB expense, City specific information about its Fiduciary Net Position in TMRS and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions to TMRS 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. Information regarding the City's Total Pension and Total OPEB Liabilities is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and 75. The OPEB for health benefits is an unfunded plan. The same actuaries used for pensions and OPEB from TMRS are used to provide the reporting information for the OPEB for health benefits.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The City has two items that qualify for reporting in this category:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the total OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City’s proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five-year period. The remaining postemployment related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

Deferred Outflows/Inflows of Resources (continued)

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The City has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual bases of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the City’s proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

Fund Balance

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Fund Balance (continued)

In accordance with GASB 54, the City classifies governmental fund balances as follows:

- *Committed fund balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (City Council). Commitments may be changed or lifted only by the government taking the same formal action (resolution) that imposed the constraint originally (i.e. park acquisition and improvement, recreation, etc).
- *Restricted fund balance* - fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Unassigned fund balance* – is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds – When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Net Position

Restricted – The City restricts net position to serve different purposes. In the City’s governmental funds, net position is restricted for the retirement of long-term debt, development, and parks and community.

Note 2 - Deposits and Investments

The investment policy of the City is governed by State statute and a Council adopted City Investment Policy. Major controls stipulated in the Investment Policy include: depository limitations require Federal Deposit Insurance Corporation (“FDIC”) insurance or full 100 percent collateralization; depositories are limited to Texas banking institutions; all collateral for repurchase agreements and deposits held by independent third party trustees; all settlement is delivery versus payment; all authorized investments are defined; and diversification guidelines are set as are maximum maturity and maximum weighted average maturity.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

State statutes require all time and demand deposits to be fully insured or collateralized. Cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, and any other kind of account that has the general characteristics of demand deposits where funds may be added or withdrawn at any time without penalty or prior notice. Cash equivalents are defined as liquid investments that are both readily convertible to known amounts of cash and so near their maturity, they present insignificant risk or changes in value because of changes in interest rates.

At September 30, 2024, the carrying amount of deposits was \$73,061,998 and the respective bank balances were \$73,239,174. The City's bank balances were fully insured or collateralized with securities held by the City's agent in the City's name.

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complied with this law for the year ended September 30, 2024, it had no custodial credit risk for deposits.

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety or principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2024, the City does not hold any investments.

Note 3 - Property Taxes

The appraisal of property within the City is the responsibility of the Hays Central Appraisal District (the Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the county on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. The Texas Legislature enacted new legislation for property taxes which calculates the no new revenue tax rate (the rate will raise the same amount of property tax revenue from same properties as prior year). The voter approved rate is the highest tax rate the City may adopt without holding an election. The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Appraised values are established by the Appraisal District at market value, assessed at 100% of appraised value and certified by the Appraisal District Board of Review. The City property taxes are billed and collected by the City's Tax Assessor/Collector. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1 of the current calendar year.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Property Taxes (continued)

Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services for fiscal year 2024 was \$0.1718 per \$100 of assessed valuation. The 2023 assessed value and total tax levy as adjusted through September 30, 2024 were \$1,949,376,449 and \$3,352,983, respectively.

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Appraisal District establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City.

Note 4 - Receivables

Receivables as of September 30, 2024 for the City’s individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables			
Property taxes	\$ 31,787	\$ -	\$ 31,787
Sales taxes	318,118	-	318,118
Developers	816,663	-	816,663
Other	20,126	121,620	141,746
Less: Allowance for uncollectible	-	-	-
Net Receivables	<u>\$ 1,186,694</u>	<u>\$ 121,620</u>	<u>\$ 1,308,314</u>

	<u>Water and Wastewater Fund</u>	<u>Total Proprietary Funds</u>
Receivables		
Sales tax	\$ 79,529	\$ 79,529
Customer	3,138,886	3,138,886
Less: Allowance for uncollectible	-	-
Net Receivables	<u>\$ 3,218,415</u>	<u>\$ 3,218,415</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Capital Assets

Capital assets activity for the year ended September 30, 2024, was as follows:

	Balance October 1, 2023	Additions	Retirements and Transfers	Balance September 30, 2024
Governmental activities:				
Capital Assets, Not being Depreciated/Amortized				
Land	\$ 5,930,814	\$ -	\$ -	\$ 5,930,814
Total Capital Assets, Not being Depreciated/Amortized	5,930,814	-	-	5,930,814
Capital Assets being Depreciated/Amortized:				
Buildings	1,075,825	-	-	1,075,825
Improvements other than buildings	9,236,290	-	-	9,236,290
Machinery and equipment	1,763,948	142,993	-	1,906,941
Infrastructure	20,093,554	8,174,964	-	28,268,518
Right-to-use SBITA asset	101,543	-	-	101,543
Total Capital Assets being Depreciated/Amortized	32,271,160	8,317,957	-	40,589,117
Less Accumulated Depreciation/Amortization for:				
Buildings	(497,556)	(37,276)	-	(534,832)
Improvements other than buildings	(3,229,369)	(305,431)	-	(3,534,800)
Machinery and equipment	(1,375,266)	(96,656)	-	(1,471,922)
Infrastructure	(1,340,679)	(651,258)	-	(1,991,937)
Right-to-use SBITA asset	(16,867)	(20,309)	-	(37,176)
Total Accumulated Depreciation/Amortization	(6,459,737)	(1,110,930)	-	(7,570,667)
Total Capital Assets being Depreciated/Amortized, Net	25,811,423	7,207,027	-	33,018,450
Governmental Activities Capital Assets, Net	\$ 31,742,237	\$ 7,207,027	\$ -	\$ 38,949,264
Business-Type Activities:				
Business-Type Assets, being Depreciated/Amortized				
Buildings	\$ -	\$ 3,444,757	\$ -	\$ 3,444,757
Infrastructure	38,355,029	4,328,290	-	42,683,319
Machinery and equipment	185,739	-	-	185,739
Right-to-use lease asset	846,075	-	-	846,075
Total Capital Assets being Depreciated/Amortized	39,386,843	7,773,047	-	47,159,890
Less Accumulated Depreciation/Amortization for:				
Buildings	-	(172,238)	-	(172,238)
Infrastructure	(7,928,482)	(1,505,794)	-	(9,434,276)
Machinery and equipment	(69,951)	(36,183)	-	(106,134)
Right-to-use lease asset	(27,732)	(169,215)	-	(196,947)
Total Accumulated Depreciation/Amortization	(8,026,165)	(1,883,430)	-	(9,909,595)
Business Type Activities Capital Assets, Net	\$ 31,360,678	\$ 5,889,617	\$ -	\$ 37,250,295

Note 5 - Capital Assets (continued)

Depreciation/amortization was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 674,681
Public works	43,626
Parks and recreation	392,623
Total Governmental Activities	<u>\$ 1,110,930</u>
Business-type Activities:	
Water and Wastewater	\$ 1,883,430
Total Business-type Activities	<u>\$ 1,883,430</u>

Net investment in capital assets at September 30, 2024 is calculated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Assets, Net	\$ 38,949,264	\$ 37,250,295
Less:		
Bonds payable	325,000	39,300,000
Notes payable	-	2,500,000
SBITA liability	42,726	-
Lease liability	-	661,287
Plus:		
Unspent bond proceeds	-	44,958,115
Net Investment in Capital Assets	<u>\$ 38,581,538</u>	<u>\$ 39,747,123</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Liabilities

The City issues general obligation bonds, certificates of obligation bonds, and contractual obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental which includes blended component units and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

<u>General Obligation Bonds</u>	<u>Original Borrowings</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance at September 30, 2024</u>	
				<u>Governmental</u>	<u>Business-Type</u>
General Obligation Refunding Bonds, Series 2015	\$ 7,410,000	2026	0.437 - 2.352%	\$ -	\$ 1,310,000
Total General Obligation Bonds				<u>\$ -</u>	<u>\$ 1,310,000</u>

<u>Certificates of Obligation</u>	<u>Final Maturity</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance at September 30, 2024</u>	
				<u>Governmental</u>	<u>Business-Type</u>
Combination Tax and Limited Revenue Certificates of Obligation, Series 2013	\$ 1,000,000	2028	4.15%	\$ 325,000	\$ -
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2019	23,500,000	2040	0.04 - 0.61%	-	19,845,000
Combination Tax and Revenue Certificates of Obligation, Series 2022	19,895,000	2042	0.61 - 2.01%	-	18,145,000
Total Certificates of Obligation				<u>\$ 325,000</u>	<u>\$ 37,990,000</u>

<u>Tax Notes</u>	<u>Original Borrowings</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Balance at September 30, 2024</u>	
				<u>Governmental</u>	<u>Business-Type</u>
City of Dripping Springs, Texas Tax Note, Series 2024	\$ 2,500,000	2026	4.44%	\$ -	\$ 2,500,000
Total General Obligation Bonds				<u>\$ -</u>	<u>\$ 2,500,000</u>

During the fiscal year, the City issued \$2,500,000 in Tax Note, Series 2024. The note carries an interest rate of 4.44% and matures in 2026. Proceeds from the notes will be used for constructing, reconstructing and improving streets, roads, bridges, alleys and sidewalks, and related drainage, utility relocation, signalization, landscaping, lighting and signage for said projects, and the acquisition of land and rights-of-way therefore.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Liabilities (continued)

Changes in the City’s long-term liabilities for the year ended September 30, 2024 are as follows:

	Balance October 1 2023	Additions	Reductions	Balance September 30 2024	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
Certificates of obligation	\$ 400,000	\$ -	\$ (75,000)	\$ 325,000	\$ 75,000
Total Bonds Payable	400,000	-	(75,000)	325,000	75,000
SBITA payable	54,983	-	(12,257)	42,726	13,181
Compensated absences	221,171	29,068	-	250,239	250,239
Net pension liability	183,446	-	(66,375)	117,071	-
Total OPEB liability	26,944	7,651	-	34,595	-
Total Governmental Activities	\$ 886,544	\$ 36,719	\$ (153,632)	\$ 769,631	\$ 338,420
Business-type Activities:					
Bonds Payable:					
General obligation bonds	\$ 1,965,000	\$ -	\$ (655,000)	\$ 1,310,000	\$ 655,000
Certificates of obligation	39,820,000	-	(1,830,000)	37,990,000	1,865,000
Tax Notes	-	2,500,000	-	2,500,000	355,000
Total Bonds Payable	41,785,000	2,500,000	(2,485,000)	41,800,000	2,875,000
Lease payable	817,784	-	(156,497)	661,287	162,873
Compensated absences	16,300	21,980	-	38,280	38,280
Net pension liability	16,793	-	(1,908)	14,885	-
Total OPEB liability	2,467	1,931	-	4,398	-
Total Business-type Activities	\$ 42,638,344	\$ 2,523,911	\$ (2,643,405)	\$ 42,518,850	\$ 3,076,153

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. Compensated absences generally are paid by the General Fund for the governmental activities.

General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligations bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal maturity. The City is in compliance with this requirement.

Fiscal Year	Governmental Activities	
	Certificates of Obligation	
	Principal	Interest
2025	\$ 75,000	\$ 13,488
2026	80,000	10,375
2027	85,000	7,055
2028	85,000	3,528
	\$ 325,000	\$ 34,446

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds and Certificates of Obligation (continued)

Fiscal Year	Business-type Activities							
	General Obligation Bonds		Certificates of Obligation		Tax Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 655,000	\$ 29,901	\$ 1,865,000	\$ 370,442	\$ 355,000	\$ 131,042	\$ 2,875,000	\$ 531,385
2026	655,000	15,406	1,905,000	360,322	390,000	95,238	2,950,000	470,966
2027	-	-	1,945,000	349,731	410,000	77,922	2,355,000	427,653
2028	-	-	1,990,000	338,211	430,000	59,718	2,420,000	397,929
2029	-	-	2,035,000	325,035	445,000	40,626	2,480,000	365,661
2030-2034	-	-	10,920,000	1,372,356	470,000	20,868	11,390,000	1,393,224
2035-2039	-	-	12,350,000	805,874	-	-	12,350,000	805,874
2040-2042	-	-	4,980,000	147,050	-	-	4,980,000	147,050
	<u>\$ 1,310,000</u>	<u>\$ 45,307</u>	<u>\$ 37,990,000</u>	<u>\$ 4,069,021</u>	<u>\$ 2,500,000</u>	<u>\$ 425,414</u>	<u>\$41,800,000</u>	<u>\$ 4,539,742</u>

Lease Payable

The City entered into a six-year lease agreement as lessee for the acquisition and use of WWTP equipment. An initial lease liability was recorded in the amount of \$817,784. As of September 30, 2024 the value of the lease liability was \$661,287. The lease has an interest rate of 4%. The equipment has a six-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$846,075 and had accumulated amortization of \$196,947.

The future principal and interest lease payments as of September 30, 2024, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 162,873	\$ 23,487	\$ 186,360
2026	169,509	16,851	186,360
2027	176,415	9,945	186,360
2028	152,490	2,810	155,300
Total	<u>\$ 661,287</u>	<u>\$ 53,093</u>	<u>\$ 714,380</u>

SBITA Payable

The City entered into a five-year SBITA agreement for the acquisition of software. An initial SBITA liability was recorded in the amount of \$54,983. As of September 30, 2024, the value of the SBITA liability was \$42,726. The SBITA has an interest rate of 4%. The software has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$101,543 and had accumulated amortization of \$37,176.

The future principal and interest SBITA payments as of September 30, 2024, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 13,181	\$ 1,709	\$ 14,890
2026	14,355	1,182	15,537
2027	15,190	608	15,798
Total	<u>\$ 42,726</u>	<u>\$ 3,499</u>	<u>\$ 46,225</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year are as follows:

Transfers From	Transfers To				Totals
	General	Dripping Springs Ranch Park	Nonmajor Governmental Funds	Water and Wastewater Fund	
General Fund	\$ -	\$ -	\$ 583,428	\$ 1,257,122	\$ 1,840,550
Dripping Springs Ranch Park	-	-	32,145	-	32,145
Nonmajor Governmental	164,117	322,345	220,153	-	706,615
Totals	\$ 164,117	\$ 322,345	\$ 835,726	\$ 1,257,122	\$ 2,579,310

During the year, transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and (2) move general fund resources to provide an annual subsidy to other funds.

Note 8 - Defined-Benefit Pension Plans

Plan Description and Provisions

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (annual report) that can be obtained at www.tmr.com.

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

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 benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

Plan Description and Provisions (continued)

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated Service Credit:	100% Repeating Transfers
Annuity Increase to retirees:	70% of CPI Repeating
Supplemental death benefit – active employees and retirees	Yes

Benefits Provided

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>57</u>
Total	<u>103</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6% in calendar years 2024 and 2023.

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.50%
Overall payroll growth:	3.6% to 11.85% including inflation
Investment Rate of Return:	6.75%, net of pension plan investment expense, including inflation

Salary increases are assumed to occur once a year on January 1 so that the pay used for the period year following the valuation is equal to the reported pay for the prior year. Salaries are assumed to increase on a graduated service-based scale.

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. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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, GRS 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 major asset class in fiscal year 2024 are summarized in the table below:

<u>Asset Class</u>	<u>Strategic Target Allocation Index</u>
Core fixed income	6.0%
Non-Core fixed income	20.0%
Global public equity	35.0%
Real Estate	12.0%
Hedge funds	5.0%
Other public & private mark	12.0%
Private equity	10.0%
Total	100.0%

Discount Rate

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

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 1,988,067	\$ 1,787,828	\$ 200,239
Changes for the Year:			
Service cost	392,995	-	392,995
Interest	147,248	-	147,248
Difference between expected and actual experience	31,703	-	31,703
Changes in assumptions	(23,307)	-	(23,307)
Contributions - employer	-	202,358	(202,358)
Contributions - employee	-	206,839	(206,839)
Net investment income	-	209,050	(209,050)
Benefit payments, including refunds, of employee contributions	(6,216)	(6,216)	-
Administrative expense	-	(1,316)	1,316
Other charges	-	(9)	9
Net changes	542,423	610,706	(68,283)
Balance at 12/31/2023	\$ 2,530,490	\$ 2,398,534	\$ 131,956

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 524,599	\$ 131,956	\$ (190,890)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at the following location: [TMRS 2023 ACFR](#).

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8 - Defined-Benefit Pension Plans (continued)

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

For the year ended September 30, 2024, the City recognized pension expense of \$205,771 related to the TMRS plan.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actuarial assumptions and actual experience	\$ 24,657	\$ (21,728)
Changes in actuarial assumptions used	215	(18,127)
Differences between projected and actual investment earnings	32,485	-
Contributions subsequent to the measurement date	176,720	-
Total	<u>\$ 234,077</u>	<u>\$ (39,855)</u>

Deferred outflows of resources resulting from contributions subsequent to the measurement date of \$176,720 will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2025	\$ 1,377
2026	6,347
2027	26,518
2028	(16,740)
Total	<u>\$ 17,502</u>

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits

Benefit Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 City 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 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); retired employees are insured for \$7,500; this coverage is another post-employment benefit (OPEB). 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).

Membership in the plan as of the measurement date of December 31, 2023 was as follows:

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>57</u>
Total	<u>63</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.19% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.77% based on the 20 Year Municipal GO AA Index rate as of December 31, 2023.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Actuarial Assumptions

The City’s total OPEB liability was measured at December 31, 2023 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2023

Methods and Assumptions:

Inflation: 2.50%

Salary Increases: 3.60% to 11.85%, including inflation

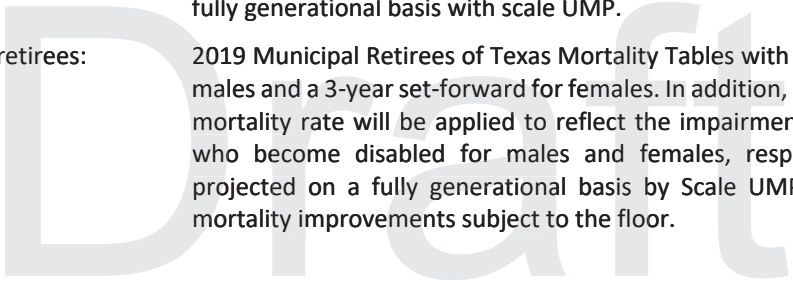
Discount rate: 3.77% as of December 31, 2023.

Retirees’ share of benefit related costs: \$0

Administrative expenses: All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 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% 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.



CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Changes in the Total OPEB Liability

Total OPEB Liability		
Service cost		\$ 6,205
Interest		1,310
Changes of benefit terms		-
Difference between expected and actual experience of the total OPEB liability		206
Changes of assumptions		2,206
Benefit payments		<u>(345)</u>
Net change in total OPEB liability		9,582
Total OPEB Liability - Beginning		<u>29,411</u>
Total OPEB Liability - Ending		<u><u>\$ 38,993</u></u>
Covered payroll		\$ 3,447,323
Total OPEB Liability as a Percentage of Covered Payroll		1.13%

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.77%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.77%) or 1 percentage point higher (4.77%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease to 2.77%	Current Discount Rate Assumption 3.77%	1% Increase to 4.77%
\$	49,391	\$ 38,993	\$ 31,286

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$5,637 related to the TMRS Supplemental Death Benefits plan.

CITY OF DRIPPING SPRINGS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Other Post-Employment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity (continued)

As of September 30, 2024, 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 experience	\$ 681	\$ (5,627)
Changes assumptions	8,043	(15,841)
Contributions subsequent to the measurement date	5,779	-
Total	\$ 14,503	\$ (21,468)

The \$5,779 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2025.

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2025	\$ (2,037)
2026	(1,716)
2027	(1,547)
2028	(3,125)
2029	(2,670)
Thereafter	(1,649)
Total	\$ (12,744)

Note 10 - 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; injuries to employees; employee health benefits; and other claims of various natures. The City purchases commercial insurance to indemnify it in event of loss. For the past three years, settlements did not exceed coverage.



REQUIRED SUPPLEMENTARY INFORMATION

Draft

CITY OF DRIPPING SPRINGS, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 3,393,487	\$ 3,307,854	\$ 2,828,567	\$ (479,287)
Sales and use taxes	3,800,000	4,669,852	3,751,240	(918,612)
Franchise taxes	45,000	68,000	61,203	(6,797)
Mixed drink tax	75,000	100,000	102,055	2,055
Licenses and permits	3,187,875	2,696,690	2,721,898	25,208
Intergovernmental revenues	-	103,775	50	(103,725)
Charges for services	230,950	166,948	740,497	573,549
Interest Income	50,000	185,000	215,193	30,193
Donations	5,000	2,600	3,904	1,304
Miscellaneous	280,000	280,000	477,250	197,250
Total Revenues	11,067,312	11,580,719	10,901,857	(678,862)
Expenditures				
Current:				
General government	5,715,771	5,138,874	3,220,837	1,918,037
Public safety	94,298	97,300	87,864	9,436
Public works	3,411,860	3,760,185	3,775,389	(15,204)
Development services	1,105,500	1,247,870	1,914,461	(666,591)
Parks and community services	2,286,373	2,324,568	2,380,716	(56,148)
Debt Service:				
Principal	-	-	12,257	(12,257)
Interest	-	-	2,199	(2,199)
Total Expenditures	12,613,802	12,568,797	11,393,723	1,175,074
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,546,490)	(988,078)	(491,866)	496,212
Other Financing Sources (Uses)				
Transfers in	246,748	446,748	164,117	(282,631)
Transfers out	(2,245,324)	(2,059,192)	(1,840,550)	218,642
Total Other Financing Sources (Uses)	(1,998,576)	(1,612,444)	(1,676,433)	(63,989)
Change in Fund Balance	(3,545,066)	(2,600,522)	(2,168,299)	432,223
Fund Balances, Beginning	9,504,215	9,504,215	9,504,215	-
Fund Balances, Ending	\$ 5,959,149	\$ 6,903,693	\$ 7,335,916	\$ 432,223

Actual expenditures exceeded final budget in public works, development services, parks and community services, and debt service.

CITY OF DRIPPING SPRINGS, TEXAS**DRIPPING SPRINGS RANCH PARK****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL****For the Year Ended September 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 214,200	\$ 269,945	\$ 301,717	\$ 31,772
Interest Income	2,000	8,271	8,170	(101)
Miscellaneous	593,465	403,131	410,501	7,370
Total Revenues	809,665	681,347	720,388	39,041
Expenditures				
Current:				
Parks and community services	1,299,219	1,164,682	990,169	174,513
Total Expenditures	1,299,219	1,164,682	990,169	174,513
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(489,554)	(483,335)	(269,781)	213,554
Other Financing Sources (Uses)				
Transfers in	300,000	431,645	322,345	(109,300)
Transfers out	(32,145)	(32,145)	(32,145)	-
Total Other Financing Sources (Uses)	267,855	399,500	290,200	(109,300)
Change in Fund Balance	(221,699)	(83,835)	20,419	104,254
Fund Balances, Beginning	104,560	104,560	104,560	-
Fund Balances, Ending	\$ (117,139)	\$ 20,725	\$ 124,979	\$ 104,254

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Nine Measurement Years

	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	\$ 392,995	\$ 315,849	\$ 248,908	\$ 215,769	\$ 163,515
Interest (on the Total Pension Liability)	147,248	118,043	95,314	74,816	59,115
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	31,703	(26,727)	(21,189)	12,809	(6,464)
Changes of assumptions	(23,307)	-	-	-	3,380
Benefit payments, including refunds of employee contributions	(6,216)	(19,914)	(19,657)	(12,910)	(13,212)
Net change in total pension liability	542,423	387,251	303,376	290,484	206,334
Total Pension Liability – Beginning	1,988,067	1,600,816	1,297,440	1,006,956	800,622
Total Pension Liability – Ending	\$ 2,530,490	\$ 1,988,067	\$ 1,600,816	\$ 1,297,440	\$ 1,006,956
Plan Fiduciary Net Position					
Contributions – employer	\$ 202,358	\$ 160,588	\$ 130,324	\$ 114,507	\$ 92,626
Contributions – employee	206,839	166,091	132,987	115,077	87,441
Net investment income	209,050	(117,534)	157,083	69,581	100,230
Benefit payments, including refunds of employee contributions	(6,216)	(19,914)	(19,657)	(12,910)	(13,212)
Administrative Expense	(1,316)	(1,010)	(723)	(448)	(564)
Other	(9)	1,206	5	(18)	(18)
Net change in plan fiduciary net position	610,706	189,427	400,019	285,789	266,503
Plan Fiduciary Net Position – Beginning	1,787,828	1,598,401	1,198,382	912,593	646,090
Plan Fiduciary Net Position – Ending	\$ 2,398,534	\$ 1,787,828	\$ 1,598,401	\$ 1,198,382	\$ 912,593
Net pension liability	\$ 131,956	\$ 200,239	\$ 2,415	\$ 99,058	\$ 94,363
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.79%	89.93%	99.85%	92.37%	90.63%
Covered Payroll	\$ 3,447,323	\$ 2,768,174	\$ 2,216,455	\$ 1,917,948	\$ 1,457,351
Net Pension Liability as a Percentage of Covered Employee Payroll	3.83%	7.23%	0.11%	5.16%	6.47%

Ten years of data should be presented in the schedule, but data was unavailable prior to 2015.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Nine Measurement Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 129,750	\$ 67,410	\$ 50,354	\$ 30,743
Interest (on the Total Pension Liability)	48,199	38,747	29,124	24,446
Changes of benefit terms	-	62,645	-	-
Difference between expected and actual experience	(14,071)	18,543	(4,706)	1,741
Changes of assumptions	-	-	-	15,501
Benefit payments, including refunds of employee contributions	(24,895)	(6,768)	-	-
Net change in total pension liability	138,983	180,577	74,772	72,431
Total Pension Liability – Beginning	<u>661,639</u>	<u>481,062</u>	<u>406,290</u>	<u>333,859</u>
Total Pension Liability – Ending	<u>\$ 800,622</u>	<u>\$ 661,639</u>	<u>\$ 481,062</u>	<u>\$ 406,290</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 78,968	\$ 28,309	\$ 14,212	\$ 8,735
Contributions – employee	68,470	55,761	38,205	24,994
Net investment income	(16,201)	56,460	22,471	440
Benefit payments, including refunds of employee contributions	(24,895)	(6,768)	-	-
Administrative Expense	(313)	(292)	(253)	(268)
Other	(17)	(15)	(14)	(13)
Net change in plan fiduciary net position	106,012	133,455	74,621	33,888
Plan Fiduciary Net Position – Beginning	<u>540,078</u>	<u>406,623</u>	<u>332,002</u>	<u>298,114</u>
Plan Fiduciary Net Position – Ending	<u>\$ 646,090</u>	<u>\$ 540,078</u>	<u>\$ 406,623</u>	<u>\$ 332,002</u>
Net pension liability	<u>\$ 154,532</u>	<u>\$ 121,561</u>	<u>\$ 74,439</u>	<u>\$ 74,288</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.70%	81.63%	84.53%	81.72%
Covered Payroll	\$ 1,141,163	\$ 984,086	\$ 764,092	\$ 499,885
Net Pension Liability as a Percentage of Covered Employee Payroll	13.54%	12.35%	9.74%	14.86%

Ten years of data should be presented in the schedule, but data was unavailable prior to 2015.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
Last Nine Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 243,741	\$ 194,451	\$ 158,663	\$ 229,584	\$ 180,067
Contributions in relation to the actuarially determined contribution	<u>(243,741)</u>	<u>(194,451)</u>	<u>(158,663)</u>	<u>(229,584)</u>	<u>(180,067)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,062,356	\$ 3,240,857	\$ 2,644,390	\$ 1,917,948	\$ 1,457,351
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	11.97%	12.36%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	
Actuarially Determined Contribution	\$ 147,438	\$ 84,070	\$ 52,417	\$ 33,729	
Contributions in relation to the actuarially determined contribution	<u>(147,438)</u>	<u>(84,070)</u>	<u>(52,417)</u>	<u>(33,729)</u>	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 1,141,163	\$ 984,086	\$ 764,092	\$ 499,885	
Contributions as a percentage of covered payroll	12.92%	8.54%	6.86%	6.75%	

Note: This schedule is required to have 10 years of information, but the information prior to 2016 is not available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount rate	6.75%
Retirement Age	Experienced-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes: There were no benefit changes during the year.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last Seven Measurement Years

Total OPEB Liability	2023	2022	2021	2020
Service cost	\$ 6,205	\$ 9,135	\$ 8,201	\$ 6,329
Interest on the total OPEB liability	1,310	868	844	732
Difference between expected and actual experience of the total OPEB liability	206	(2,086)	(5,943)	1,190
Changes in assumptions	2,206	(20,975)	1,650	6,621
Benefit payments	(345)	(277)	(222)	(192)
Net change in total OPEB liability	9,582	(13,335)	4,530	14,680
Total OPEB Liability - Beginning	29,411	42,746	38,216	23,536
Total OPEB Liability - Ending	\$ 38,993	\$ 29,411	\$ 42,746	\$ 38,216
Covered payroll	\$ 3,447,323	\$ 2,768,174	\$ 2,216,455	\$ 1,917,948
Total OPEB liability as a percentage of covered payroll	1.13%	1.06%	1.93%	1.99%

Total OPEB Liability	2019	2018	2017
Service cost	\$ 2,769	\$ 2,511	\$ 1,968
Interest on the total OPEB liability	589	588	496
Changes in benefit terms	-	-	-
Difference between expected and actual experience of the total OPEB liability	(114)	(3,494)	-
Changes in assumptions	5,872	(1,534)	1,905
Benefit payments	(146)	-	-
Net change in total OPEB liability	8,970	(1,929)	4,369
Total OPEB Liability - Beginning	14,566	16,495	12,126
Total OPEB Liability - Ending	\$ 23,536	\$ 14,566	\$ 16,495
Covered payroll	\$ 1,457,351	\$ 1,141,163	\$ 984,086
Total OPEB liability as a percentage of covered payroll	1.61%	1.28%	1.68%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2017.

TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Three Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 407	\$ 322	\$ 265
Contributions in relation to the actuarially determined contribution	<u>(407)</u>	<u>(322)</u>	<u>(265)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,062,356	\$ 3,240,857	\$ 2,644,390
Contributions as a percentage of covered payroll	0.01%	0.01%	0.01%

Notes to the Required Supplementary Information

Ten years of data should be presented but data was unavailable prior to 2022. TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

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SUPPLEMENTARY INFORMATION

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CITY OF DRIPPING SPRINGS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

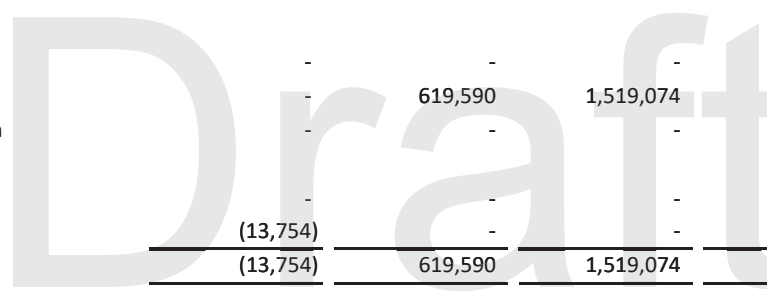
Special Revenue Funds

	<u>Debt Service Fund</u>	<u>Hotel/Motel Tax</u>	<u>PEG Fund</u>	<u>Reserve Fund</u>	<u>Farmers Market</u>
Assets					
Current Assets:					
Cash and cash equivalents	\$ 102,534	\$ 1,049,852	\$ 154,378	\$ 2,946,163	\$ 45,750
Receivables	-	121,620	-	-	-
Total Assets	<u>\$ 102,534</u>	<u>\$ 1,171,472</u>	<u>\$ 154,378</u>	<u>\$ 2,946,163</u>	<u>\$ 45,750</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	48,473	-	-	246
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>48,473</u>	<u>-</u>	<u>-</u>	<u>246</u>
Fund Balances:					
Restricted for:					
Debt service	102,534	-	-	-	-
Development	-	1,122,999	154,378	-	-
Culture and recreation	-	-	-	-	45,504
Committed to:					
Reserve	-	-	-	2,946,163	-
Unassigned:	-	-	-	-	-
Total Fund Balances	<u>102,534</u>	<u>1,122,999</u>	<u>154,378</u>	<u>2,946,163</u>	<u>45,504</u>
Total Liabilities and Fund Balances	<u>\$ 102,534</u>	<u>\$ 1,171,472</u>	<u>\$ 154,378</u>	<u>\$ 2,946,163</u>	<u>\$ 45,750</u>

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CITY OF DRIPPING SPRINGS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds				
	Dripping Springs Visitors Bureau	Town Center TIRZ (TIRZ #1)	Arrowhead TIRZ (TIRZ #2)	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Assets					
Current Assets:					
Cash and cash equivalents	\$ 18,582	\$ 676,435	\$ 1,558,679	\$ 6,449,839	\$ 6,552,373
Receivables	-	-	-	121,620	121,620
Total Assets	<u>\$ 18,582</u>	<u>\$ 676,435</u>	<u>\$ 1,558,679</u>	<u>\$ 6,571,459</u>	<u>\$ 6,673,993</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	2,042	56,845	39,605	147,211	147,211
Due to other funds	30,294	-	-	30,294	30,294
Total Liabilities	<u>32,336</u>	<u>56,845</u>	<u>39,605</u>	<u>177,505</u>	<u>177,505</u>
Fund Balances:					
Restricted for:					
Debt service	-	-	-	-	102,534
Development	-	619,590	1,519,074	3,416,041	3,416,041
Culture and recreation	-	-	-	45,504	45,504
Committed to:					
Reserve	-	-	-	2,946,163	2,946,163
Unassigned:	(13,754)	-	-	(13,754)	(13,754)
Total Fund Balances	<u>(13,754)</u>	<u>619,590</u>	<u>1,519,074</u>	<u>6,393,954</u>	<u>6,496,488</u>
Total Liabilities and Fund Balances	<u>\$ 18,582</u>	<u>\$ 676,435</u>	<u>\$ 1,558,679</u>	<u>\$ 6,571,459</u>	<u>\$ 6,673,993</u>



	Special Revenue Funds				
	Debt Service Fund	Hotel/Motel Tax	PEG Fund	Reserve Fund	Farmers Market
Revenues					
Taxes:					
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	-	1,204,759	-	-	-
Franchise taxes	-	-	29,954	-	-
Interest income	3,112	20,712	4,239	75,304	2,183
Charges for services	-	-	-	-	53,932
Donations	-	-	-	-	150
Miscellaneous	-	-	-	-	588
Total Revenues	<u>3,112</u>	<u>1,225,471</u>	<u>34,193</u>	<u>75,304</u>	<u>56,853</u>
Expenditures					
Current:					
Development		135,917	-	3,114	-
Culture and recreation	-	-	-	-	76,821
Debt Service:					
Principal	75,000	-	-	-	-
Interest and fiscal charges	16,600	-	-	-	-
Total Expenditures	<u>91,600</u>	<u>135,917</u>	<u>-</u>	<u>3,114</u>	<u>76,821</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(88,488)</u>	<u>1,089,554</u>	<u>34,193</u>	<u>72,190</u>	<u>(19,968)</u>
Other Financing Sources (Uses)					
Transfers in	88,488	-	-	500,000	14,165
Transfers out	-	(706,615)	-	-	-
Total Other Financing Sources (Uses)	<u>88,488</u>	<u>(706,615)</u>	<u>-</u>	<u>500,000</u>	<u>14,165</u>
Change in Fund Balance	-	382,939	34,193	572,190	(5,803)
Fund Balances, Beginning	<u>102,534</u>	<u>740,060</u>	<u>120,185</u>	<u>2,373,973</u>	<u>51,307</u>
Fund Balances, Ending	<u>\$ 102,534</u>	<u>\$ 1,122,999</u>	<u>\$ 154,378</u>	<u>\$ 2,946,163</u>	<u>\$ 45,504</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	Dripping Springs Visitors Bureau	Town Center TIRZ (TIRZ #1)	Arrowhead TIRZ (TIRZ #2)		
Revenues					
Taxes:					
Ad Valorem Taxes	\$ -	\$ 150,951	\$ 345,116	\$ 496,067	\$ 496,067
Hotel Motel Taxes	-	-	-	1,204,759	1,204,759
TWC Fees	-	-	-	29,954	29,954
Interest income	5,578	23,079	38,425	169,520	172,632
Charges for services	26,853	-	-	80,785	80,785
Donations	25,000	-	-	25,150	25,150
Miscellaneous	11,468	-	-	12,056	12,056
Total Revenues	68,899	174,030	383,541	2,018,291	2,021,403
Expenditures					
Current:					
Development	-	360,097	90,477	589,605	589,605
Culture and recreation	285,432	-	-	362,253	362,253
Debt service:					
Principal	-	-	-	-	75,000
Interest and fiscal charges	-	-	-	-	16,600
Total Expenditures	285,432	360,097	90,477	951,858	1,043,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(216,533)	(186,067)	293,064	1,066,433	977,945
Other Financing Sources (Uses)					
Transfers in	233,073	-	-	747,238	835,726
Transfers to other funds	-	-	-	(706,615)	(706,615)
Total Other Financing Sources (Uses)	233,073	-	-	40,623	129,111
Change in Fund Balance	16,540	(186,067)	293,064	1,107,056	1,107,056
Fund Balances, Beginning	(30,294)	805,657	1,226,010	5,286,898	5,389,432
Fund Balances, Ending	\$ (13,754)	\$ 619,590	\$ 1,519,074	\$ 6,393,954	\$ 6,496,488



COMPLIANCE AND INTERNAL CONTROL SECTION

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of the City Council
City of Dripping Springs, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dripping Springs, Texas (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as items 2024-001 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

To the Honorable Mayor and Members
of the City Council
City of Dripping Springs, Texas

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Dripping Springs's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Austin, Texas
March 21, 2025

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CITY OF DRIPPING SPRINGS, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2024

Finding 2024-001 Internal Control Over Financial Reporting: Fiscal Year End Closing Procedures

Type of Finding: Material Weakness

Criteria: Proper controls over financial reporting include a system designed to provide for the preparation of the financial statements and accompanying notes to the financial statements that are materially correct and in accordance with accounting principles generally accepted in the United States of America. Monthly and annual reconciliations are necessary to ensure that accounts are properly stated.

Condition: During our audit, we identified journal entries to correct year-end balances. Entries were made to reconcile sales tax receivable, capital assets, accounts payable, debt, and transfers.

Cause: Internal controls not properly designed to regularly reconcile accounts leads to inaccurate balances and reporting at the end of a reporting period.

Effect: The lack of internal controls increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

Recommendation: We recommend that the City review its internal control procedures over financial reporting to ensure controls are in place to identify and record all transactions in the correct period and reconcile accounts on a timely basis. Management should establish and follow financial close procedures and ensure that all reconciliations are completed monthly for all significant financial accounts, which includes timely and effective review and/or approval of all transactions and reconciliations of account balances by the appropriate level of management. In addition, management should retain supporting documentation for all transactions entered into its general ledger.

Management's Response: Management will develop and implement a "Journal Entry Policy." This policy will outline the steps and approvals required to enter a journal entry. Each Journal Entry will be prepared and approved prior to being made, and the appropriate paperwork will be maintained for each journal entry approved.



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

Submitted By: Shawn Cox, Deputy City Administrator

Council Meeting Date: April 1, 2025

Agenda Item Wording: **Consideration and action with respect to a Resolution Delaying Action on an Ordinance Authorizing the Issuance of the City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation, Series 2025 in the Maximum Principal amount of \$14,500,000 and Other Matters Related Thereto.**

Agenda Item Requestor:

Summary/Background: The City has been planning to discuss and possibly take action on issuing Certificates of Obligation on April 1, 2025. In order to issue the Certificates of Obligation, the City's Audit must be accepted by the City Council. The audit was planned to be accepted on March 25, 2025, but the day of the meeting, the auditor changed the date of the audit. The audit will now be heard on April 1, 2025. Because of this delay, the discussion and policy action on the certificates of obligation now must also be delayed. This resolution would: (1) move the consideration and possible approval to April 15, 2025; and (2) provide the public notice of the change.

Commission Recommendations: N/A

Recommended Council Actions: Approval

Attachments: Resolution. Certificate of Resolution. Notice-Updated.

Next Steps/Schedule: April 15, 2025 – CO Item

RESOLUTION NO. _____**RESOLUTION DELAYING ACTION ON AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE CITY OF DRIPPING SPRINGS, TEXAS COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION IN AN AMOUNT NOT TO EXCEED \$14,500,000; AND OTHER MATTERS RELATED THERETO.**

THE STATE OF TEXAS §
COUNTY OF HAYS §
CITY OF DRIPPING SPRINGS §

WHEREAS, on February 4, 2025, the City Council of the City of Dripping Springs, Texas (the "City") passed a resolution authorizing the publication of a notice of intention (the "Notice Resolution") to issue the City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation in a maximum principal amount not to exceed \$14,500,000 for the purposes set forth in Exhibit "A" (the "Certificates"); and

WHEREAS, the Notice Resolution stated that the City Council tentatively proposed to authorize the issuance of the Certificates and to hold a public hearing on the Certificates at its regular meeting of the City Council to commence at 6:00 p.m. on April 1, 2025; and

WHEREAS, upon the advice of the City's staff, the City found it necessary to delay action on the ordinance authorizing the issuance of the Certificates until a regular meeting of the City Council to commence at 6:00 p.m. on April 15, 2025.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DRIPPING SPRINGS, TEXAS THAT:

Section 1. Delaying Action. The City hereby delays action on the ordinance authorizing the issuance of the Certificates and the public hearing on the Certificates until a regular meeting of the City Council to commence at 6:00 p.m. on April 15, 2025, at its regular meeting place in the Board Room located at 300 Sportsplex Drive, Dripping Springs, Texas.

Section 2. Notice of Intention. Attached hereto as Exhibit "A" is the form of the Notice of Intention to issue the Certificates, the form and substance of which was adopted and approved during the regular meeting held on February 4, 2025 with additional language reflecting the new meeting date at which the City Council will consider authorizing the issuance of the Certificates.

Section 3. Other Matters. This Resolution shall become effective immediately upon adoption. The Mayor and City Secretary are hereby authorized and directed to execute the certificate to which this Resolution is attached on behalf of the City and to do any and all things proper and necessary to carry out the intent of this Resolution.

PASSED AND APPROVED this 1st day of April, 2025.

Mayor, City of Dripping Springs

EXHIBIT A

NOTICE OF INTENTION TO ISSUE CITY OF DRIPPING SPRINGS, TEXAS COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION

NOTICE IS HEREBY GIVEN that it is the intention of the City Council of the City of Dripping Springs, Texas, to issue interest bearing Certificates of Obligation of the City (the "Certificates") for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City's downtown area; (3) constructing a city public works facility to support the City's utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City's park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

The City Council tentatively proposes to consider for first and final reading at a meeting to commence at 6:00 p.m., on the 1st day of April 2025 in the Board Room located at 300 Sportsplex Drive Dripping Springs, Texas 78620, the passage of an ordinance authorizing the Certificates. The maximum amount of the Certificates that may be authorized for such purpose is \$14,500,000. The City Council presently proposes to provide for the payment of the Certificates from the levy and collection of ad valorem taxes in the City as provided by law and from a limited pledge of the surplus revenues derived from the operation of the City's wastewater system, after payment of all operation and maintenance expenses and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the revenues of the City's wastewater system, which amount shall not exceed \$5,000.

The following information is required pursuant to Texas Local Government Code, Section 271.049: As of February 4, 2025, the aggregate principal amount of all outstanding debt obligations of the City secured by and payable from ad valorem taxes is \$42,125,000. As of February 4, 2025, the combined principal and interest required to pay all outstanding debt obligations of the City secured by and payable from ad valorem taxes on time and in full is

\$46,699,183. The estimated combined principal and interest required to pay the Certificates on time and in full is \$20,091,812.50. The estimated interest rate for the Certificates is 4.22%. Such estimates take into account a number of factors, including the issuance schedule, maturity schedule and the expected ratings of the proposed Certificates. Such estimated interest rate is provided as a matter of information but is not a limitation on the interest rate at which the Certificates may be sold. The maximum maturity date of the Certificates is June 1, 2044.

At its regular meeting on April 1, 2025, the City adopted a Resolution Delaying Action on an Ordinance Authorizing the Issuance of the City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation in an Amount Not to Exceed \$14,500,000 and Other Matters Related Thereto until a regular meeting of the City Council to commence at 6:00 p.m. on April 15, 2025, at its regular meeting place in the Board Room located at 300 Sportsplex Drive, Dripping Springs, Texas.

**CITY OF DRIPPING SPRINGS,
TEXAS**

CERTIFICATE FOR RESOLUTION NO. 2025- _____

THE STATE OF TEXAS
COUNTY OF HAYS
CITY OF DRIPPING SPRINGS

§
§
§

We, the undersigned officers and members of the City of Dripping Springs, Texas (the "City"), hereby certify as follows:

1. The City Council of the City convened in a **REGULAR MEETING ON THE 1ST DAY OF APRIL, 2025**, and the roll was called of the duly constituted officers and members of the City, to-wit:

- Bill Foulds, Jr., Mayor
- Taline Manassian, Mayor Pro Tem, Council Member, Place 1
- Wade King, Council Member, Place 2
- Geoffrey Tahuahua, Council Member, Place 3
- Travis Crow, Council Member, Place 4
- Sherrie Parks, Council Member, Place 5

and all of the persons were present, except the following absentees: _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

RESOLUTION DELAYING ACTION ON AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE CITY OF DRIPPING SPRINGS, TEXAS COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION IN AN AMOUNT NOT TO EXCEED \$14,500,000; AND OTHER MATTERS RELATED THERETO.

was duly introduced for the consideration of the City Council. It was then duly moved and seconded that the Resolution be passed; and, after due discussion, said motion carrying with it the passage of the Resolution, prevailed and carried by the following vote:

AYES: _____

NOES: _____

2. A true, full and correct copy of the Resolution passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Resolution has been duly recorded in the City Council's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the City Council's minutes of the Meeting pertaining to the passage of the Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the Meeting, and that the Resolution would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose, and that the Meeting was open to the public and public notice of the time, place and

purpose of the meeting was given, all as required by Chapter 551, Texas Government Code, as amended.

3. The Mayor of the City has approved and hereby approves the Resolution; that the Mayor and the City Secretary of the City has duly signed the Resolution; and that the Mayor and the City Secretary of the City hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of the Resolution for all purposes.

SIGNED AND SEALED the 1^s day of April, 2025.

City Secretary

Mayor

[CITY SEAL]

APPENDIX A
SELECTED FINANCIAL INFORMATION
OF THE CITY OF DRIPPING SPRINGS, TEXAS

VALUATION AND DEBT DATA

Table 1 - General Purpose, General Obligation Bonds and Certificates

2024 Total Appraised Valuation	\$2,165,886,240
Less Exemptions and Exclusions	<u>87,443,559</u>
2024 Net Taxable Assessed Valuation (100% of market value) ⁽¹⁾	\$2,078,442,681
2025 Total Preliminary Appraised Valuation	\$2,406,150,710
Less Exemptions and Exclusions	<u>75,616,000</u>
2025 Preliminary Net Taxable Assessed Valuation (100% of market value) ⁽²⁾	\$2,330,534,710

⁽¹⁾ Source: Hays Central Appraisal District. The Appraisal Review Board approved 2024 Certified Values as of February 21, 2025.

⁽²⁾ Source: Hays Central Appraisal District. 2025 Preliminary Certified Values as of March 3, 2025.

<u>Outstanding Debt By Issues</u>	<u>Amount Outstanding At 1-31-2025⁽¹⁾</u>
Combination Tax & Limited Revenue Certificates of Obligation, Taxable Series 2013	325,000
General Obligation Refunding Bonds, Series 2015	1,310,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2019	19,845,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2022	18,145,000
Tax Notes, Series 2024	2,500,000
The Certificates ⁽²⁾	<u>12,755,000</u> ⁽²⁾
Total General Obligation Debt	\$54,880,000 ⁽²⁾
Less: Self-supporting Debt	<u>54,880,000</u> ⁽³⁾
Net Tax Supported General Obligation Debt	\$0.00
Less: Interest and Sinking Fund Balance (as of 9-30-2024)	<u>0.00</u>
Net General Obligation Debt Outstanding	\$0.00
Ratio Net Tax Supported General Obligation Debt to 2024 Net Taxable Assessed Valuation	0%
Ratio Net General Obligation Debt to 2024 Net Taxable Assessed Valuation	0%

⁽¹⁾ Unaudited

⁽²⁾ Preliminary; subject to change.

⁽²⁾ The City has an agreement with the TRIZ Board to fund approximately 61.41% of the certificates.

2010 U.S. Census Population – 1,788
 2020 U.S. Census Population – 4,650
 2024 Estimated Population – 10,550
 Per Capita 2024 Net Taxable Assessed Valuation - \$197,008.78
 Per Capita 2025 Preliminary Net Taxable Assessed Valuation - \$220,903.76
 Per Capita Total Net Tax Supported General Obligation Debt - \$0.00
 Per Capita Net General Obligation Debt - \$0.00

Future Issues

The City anticipates issuing approximately \$51,000,000 of general obligation debt within the next two to three years for a wastewater system project that will be split into two phases. The City also anticipates issuing approximately \$11,000,000 of general obligation debt within the next five years for its share of infrastructure for the Wildridge subdivision.

TAXATION DATA

Tax Rate Distribution

<u>Tax Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Local Maintenance	\$0.1794	\$0.1718	\$0.1778	\$0.1900	\$0.1900
Interest and Sinking Fund	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Totals	\$0.1794	\$0.1718	\$0.1778	\$0.1900	\$0.1900

Table 2 - Tax Collection Data

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of twenty percent (20%) of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Taxable Assessed Valuation ⁽¹⁾⁽³⁾	Tax Rate	% Collections ⁽²⁾⁽³⁾		Year Ending
			Current	Total	
2019	682,615,003	0.1900	99.56%	99.92%	09-30-20
2020	849,677,918	0.1900	99.27%	99.92%	09-30-21
2021	1,063,358,915	0.1900	99.83%	99.95%	09-30-22
2022	1,455,419,132	0.1778	99.63%	99.79%	09-30-23
2023	1,949,312,326	0.1718	99.54%	99.79%	09-30-24
2024	2,078,442,681	0.1794	96.04%	96.04%	09-30-25

⁽¹⁾ Hays Central Appraisal District.

⁽²⁾ Collections as of March 5, 2025. Hays County Tax Office.

⁽³⁾ Unaudited.

Taxable Assessed Valuation for Tax Years 2019-2024

Tax Year	Net Taxable Assessed Valuation	Change from Preceding Year	
		Amount	Percent
2019	682,615,003	129,453,785	23.40%
2020	849,677,918	167,062,915	24.47%
2021	1,063,358,915	213,680,997	25.15%
2022	1,455,419,132	392,041,462	36.87%
2023	1,949,312,326	493,909,907	33.93%
2024	2,078,442,681	129,130,355	6.62%
2025 ⁽¹⁾	2,330,534,710	252,092,029	12.13%

⁽¹⁾ Preliminary.

Source: Hays Central Appraisal District.

Schedule of Delinquent Taxes Receivable as of March 5, 2025 (Unaudited)

<u>Fiscal Year Ended 9/30</u>	<u>Ending Balance</u>
2020	\$998.07
2021	1,246.29
2022	1,102.60
2023	5,511.16
2024	6,879.53
2025 (a)	<u>147,837.56</u>
Total	\$163,575.21

Source: Hays County Tax Office.
(a) In process of collection.

Table 3 - Municipal Sales Taxes

The City has adopted the provisions of Municipal Sales and Use Tax Act V.T.C.A, Tax Code, Chapter 321, which grants the City power to impose and levy a 1.25% 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 bonds in this report. Net allocations on fiscal year basis are as follows:

<u>Fiscal Year</u>	<u>Rate</u>	<u>Total Collected</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>
2018	1.25%	\$2,387,554	226.22%	0.43
2019	1.25%	2,804,424	215.89%	0.41
2020	1.25%	3,195,392	197.86%	0.38
2021	1.25%	3,830,211	187.12%	0.36
2022	1.25%	4,275,408	164.68%	0.29
2023	1.25%	4,535,615	135.27%	0.23
2024	1.25%	4,737,906	126.41%	0.23

Source: Comptroller of Texas.

Table 4 - Top 10 Taxpayers and Their 2024 Valuations

<u>Name</u>	<u>Type of Property</u>	<u>2024 Net Taxable Assessed Valuation</u>	<u>Percent of Total 2024 Assessed Valuation</u>
Regency Ridge at Headwaters Apartments LLC	Apartments	\$28,222,282	1.36%
Meritage Homes of Texas LLC	Homebuilder	23,692,576	1.14%
Center Lake Business Park Inc.	Commercial	12,450,000	0.60%
H. E. Butt Grocery Co. LP	Commercial	12,243,917	0.59%
WSH TX Sawyer Ranch LLC	Commercial	10,046,102	0.48%
D3 Equipment Co.	Commercial	9,933,057	0.48%
Hudson Commons LLC	Commercial	9,381,890	0.45%
Verdugo South LLC	Commercial	7,793,216	0.37%
Caissa Properties LLC	Commercial	7,525,114	0.36%
HIE Dripping Springs LLC	Commercial	<u>7,375,665</u>	<u>0.35%</u>
Total		\$128,663,819	6.19%

Source: Hays Central Appraisal District.

Table 5 - Taxpayers by Classification

<u>Classification</u>	<u>2024 Assessed Valuation</u>	<u>Percent of Total</u>	<u>2023 Assessed Valuation</u>	<u>Percent of Total</u>	<u>2022 Assessed Valuation</u>	<u>Percent of Total</u>
Single Family Residential	\$1,667,887,754	67.67%	\$1,644,319,958	66.89%	\$1,186,953,100	64.24%
Multi-Family Residential	58,881,866	2.39%	55,956,092	2.28%	46,33,414	2.51%
Vacant-Platted Lots	86,240,317	3.50%	129,999,348	5.29%	72,466,819	3.92%
Acreage (Land Only)	75,612,850	3.07%	80,260,900	3.26%	65,290,370	3.53%
Farm and Ranch Improvement	45,104,730	1.83%	44,389,784	1.81%	43,473,906	2.35%
Commercial and Industrial	300,984,311	12.21%	280,305,492	11.40%	243,164,291	13.16%
Real & Intangible Personal, Utilities	6,698,077	0.27%	7,046,400	0.29%	7,831,792	0.42%
Tangible Personal, Business	46,244,800	1.88%	45,549,362	1.85%	31,363,089	1.70%
Tangible Personal, Other	681,233	0.03%	763,443	0.03%	440,083	0.02%
Inventory	40,359,045	1.64%	41,730,896	1.70%	51,567,840	2.79%
Exempt	9,152,203	0.37%	8,114,233	0.33%	6,383,809	0.35%
Special Inventory	83,270	0.00%	92,482	0.00%	121,100	0.01%
Total Exempt Property	<u>126,664,660</u>	<u>5.14%</u>	<u>119,830,197</u>	<u>4.87%</u>	<u>92,193,287</u>	<u>4.99%</u>
Total Market Value	\$2,464,595,116	100.00%	\$2,458,358,587	100.00%	\$1,847,582,910	100.00%

Source: Hays Central Appraisal District.

Table 6 - Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

Expenditures of the various taxing bodies overlapping the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "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 below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of direct and overlapping extended debt of these various taxing bodies:

Political Subdivision	Gross Debt		Percent Overlapping	Amount Overlapping
	Amount	As Of		
Dripping Springs ISD	\$319,145,000	1/31/2025	15.88%	\$50,680,226
Hays County	475,118,993	1/31/2025	4.17%	19,812,462
Hays County Development District #1	39,915,000	1/31/2025	0.30%	119,745
Headwaters MUD ⁽¹⁾	88,490,000	1/31/2025	6.69%	5,919,981
Total Net Overlapping Debt				\$ 76,532,414
Dripping Springs, City of	54,880,000	4/1/2025	100.00%	<u>54,880,000</u> ⁽²⁾
Total Direct and Estimated Overlapping Debt				\$131,412,414 ⁽²⁾
Ratio Total Direct and Estimated Overlapping Debt to 2024 Net Taxable Assessed Valuation ... (\$2,078,442,681)				6.32%
Ratio Total Direct and Estimated Overlapping Debt to 2025 Preliminary Net Taxable Assessed to Valuation (\$2,330,534,710)				5.64%

⁽¹⁾ Only residents of Headwaters MUD are responsible for this Debt.

⁽²⁾ Preliminary; subject to change. Includes the Certificates.

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ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2023/24

Item # 7.

Interest and Sinking Fund Balance at 2-28-2025	\$3,601,345
Other Funds Available at 2-28-2025	<u>22,108,566</u> ⁽¹⁾
Estimated Total Funds Available	\$25,709,911
 2024/25 Net Debt Service Requirement (Includes the Certificates)	 <u>\$4,345,600</u> ⁽¹⁾

⁽¹⁾ Includes \$9,754,501 from General Fund; \$6,926,279 from Utility Fund; and \$2,984,131 in Reserve Fund. Also, it includes approximately \$2,443,655 that is due to the Utility Fund from the Escrow Fund at UMB.

⁽²⁾ Preliminary. Subject to change.

CONSOLIDATED DEBT SERVICE REQUIREMENTS

FISCAL YEAR 30-SEPT	CURRENTLY OUTSTANDING DEBT SERVICE	PLUS: THE CERTIFICATES AT ASSUMED RATES				GRAND TOTAL OF ALL DEBT SERVICE
		PRINCIPAL * DUE 9/1	INTEREST DUE 3/1	INTEREST DUE 9/1	TOTAL	
2025	3,494,871.43	585,000.00		265,729.17	850,729.17	4,345,600.60
2026	3,511,340.10	245,000.00	304,250.00	304,250.00	853,500.00	4,364,840.10
2027	2,874,707.50	460,000.00	298,125.00	298,125.00	1,056,250.00	3,930,957.50
2028	2,906,456.00	485,000.00	286,625.00	286,625.00	1,058,250.00	3,964,706.00
2029	2,845,660.50	510,000.00	274,500.00	274,500.00	1,059,000.00	3,904,660.50
2030	2,881,213.50	535,000.00	261,750.00	261,750.00	1,058,500.00	3,939,713.50
2031	2,424,071.50	560,000.00	248,375.00	248,375.00	1,056,750.00	3,480,821.50
2032	2,461,125.50	590,000.00	234,375.00	234,375.00	1,058,750.00	3,519,875.50
2033	2,491,572.50	620,000.00	219,625.00	219,625.00	1,059,250.00	3,550,822.50
2034	2,525,241.00	650,000.00	204,125.00	204,125.00	1,058,250.00	3,583,491.00
2035	2,562,424.50	680,000.00	187,875.00	187,875.00	1,055,750.00	3,618,174.50
2036	2,593,132.00	715,000.00	170,875.00	170,875.00	1,056,750.00	3,649,882.00
2037	2,632,575.00	750,000.00	153,000.00	153,000.00	1,056,000.00	3,688,575.00
2038	2,665,562.00	790,000.00	134,250.00	134,250.00	1,058,500.00	3,724,062.00
2039	2,702,180.00	830,000.00	114,500.00	114,500.00	1,059,000.00	3,761,180.00
2040	2,737,360.50	870,000.00	93,750.00	93,750.00	1,057,500.00	3,794,860.50
2041	1,196,172.00	915,000.00	72,000.00	72,000.00	1,059,000.00	2,255,172.00
2042	1,193,517.00	960,000.00	49,125.00	49,125.00	1,058,250.00	2,251,767.00
2043		1,005,000.00	25,125.00	25,125.00	1,055,250.00	1,055,250.00
	46,699,182.53	12,755,000.00	3,332,250.00	3,597,979.17	19,685,229.17	66,384,411.70

*PRELIMINARY SUBJECT TO CHANGE.

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**TABLE 7 - COMPARATIVE CONDENSED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN GENERAL FUND BALANCE**

The following statements reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	2025 ⁽¹⁾	2024 ⁽²⁾	2023	2022
REVENUES				
Ad Valorem Taxes	\$3,295,701	\$3,312,522	\$2,213,996	\$1,845,325
Sales and Use Tax	2,194,676	4,669,852	3,636,171	3,342,204
Franchise Taxes	20,259	61,203	60,542	45,563
Mixed Drink Taxes	26,977	102,055	100,666	91,068
Licenses and Permits	698,628	1,665,795	3,460,708	4,332,356
Intergovernmental Revenues	-0-	-0-	-0-	279,513
Charge for Services	-0-	-0-	993,156	692,491
Interest Income	76,879	215,351	128,270	97,912
Donations	-0-	-0-	5,440	8,206
Miscellaneous	<u>1,135,330</u>	<u>936,959</u>	<u>663,066</u>	<u>66,437</u>
Total Revenues	\$7,448,449	\$10,963,736	\$11,262,015	\$10,801,075
EXPENDITURES				
General Government	2,118,312	5,988,539	3,012,367	2,520,813
Public Safety	75,486	87,863	310,127	131,803
Public Works	2,200,622	4,832,575	2,309,908	1,750,065
Development	647,993	1,914,460	1,976,714	2,192,078
Culture and Recreation	-0-	-0-	1,137,755	902,501
Debt Service: Principal	<u>-0-</u>	<u>-0-</u>	<u>14,036</u>	<u>-0-</u>
Total Expenditures	5,042,412 ⁽⁵⁾	12,823,437 ⁽⁴⁾	8,994,907 ⁽³⁾	7,497,260
Excess of Revenues Over (Under) Expenditures	<u>2,406,037</u>	<u>(1,859,701)</u>	<u>2,267,108</u>	<u>3,303,815</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-0-	-0-	253,506	132,833
Transfers Out	-0-	-0-	(807,294)	(870,260)
Proceeds from SBITAs	<u>-0-</u>	<u>-0-</u>	<u>69,019</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	-0-	-0-	(484,769)	(754,427)
Net Change in Fund Balance	<u>2,406,037</u>	<u>(1,859,701)</u>	<u>1,782,339</u>	<u>2,549,388</u>
Fund Balance at Beginning of Year	7,644,514	9,504,215	7,721,876	5,431,312
Prior Period Adjustment	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(258,824)</u>
Fund Balance - September 30	<u>\$10,050,551</u>	<u>\$7,644,514</u>	<u>\$9,504,215</u>	<u>\$7,721,876</u>

Source: City's Comprehensive Annual Financial Reports.

⁽¹⁾ Unaudited. As of February 28, 2025.

⁽²⁾ Unaudited. As of September 30, 2024.

⁽³⁾ The City used \$867,210 for one-time Capital Improvement projects to fund maintenance of Sportplex Drive Street, construction middle school sidewalks, and fund other street maintenance.

⁽⁴⁾ The City used \$3,732,824 for one-time Capital Improvement projects to acquire property, and for various improvement projects including, transportation, street, Stephenson, Founders, and Founders Park lighting.

⁽⁵⁾ The City budgeted to use \$1,100,000 for various Capital Improvement for City Hall.

APPENDIX B
GENERAL INFORMATION REGARDING
THE CITY OF DRIPPING SPRINGS AND ITS ECONOMY

The following information has been provided for informational purposes only.

Major Employers in Hays County

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Texas State University	Education	3,653
Hays CISD	Education	3,058
Amazon Fulfillment Center	Distribution	1,953
San Marcos Premium Outlets	Retail	1,600
Tanger Factory Outlet Center	Retail	1,540
San Marcos CISD	Education	1,264
Hays County	Government	1,120
Dripping Springs ISD	Education	1,029
Christus Santa Rosa Hospital	Medical	700
HEB Distribution Center	Distribution	692

Source: The Municipal Advisory Council of Texas.

Building Permits in City of Dripping Springs

Year Ended 30-Sep	Commercial		Residential		Grand Total (\$)
	Number ⁽¹⁾	Value (\$)	Number	Value (\$)	
2019	14	11,837,845	458	168,561,910	180,399,754
2020	15	75,629,532	790	296,722,925	372,352,457
2021	21	36,202,000	913	383,330,433	419,532,433
2022	12	82,147,472	598	261,969,798	344,117,271
2023	19	192,887,264	519	802,150,135	995,037,400
2024	18	81,907,472	444	120,337,809	202,245,281
2025 (2)	1	1,984,108	75	47,511,291	49,495,399

Source: City of Dripping Springs.

(1) Includes multi-family new building permits.

(2) As of January 31, 2025.

APPENDIX C
EXCERPTS FROM THE CITY OF DRIPPING SPRINGS, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2024

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

Financial Advisory Services
Provided By:



NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: Moody's – Aa1

(See “OTHER PERTINENT INFORMATION - Ratings” herein)

In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Certificates (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

\$12,755,000*

CITY OF DRIPPING SPRINGS, TEXAS

(A political subdivision of the State of Texas located in Hays County, Texas)

COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: April 1, 2025 (interest to accrue from the Delivery Date)

Due: September 1, as shown on the inside cover page

The City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation, Series 2025 (the “Certificates”) are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”) pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code, Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and an ordinance (the “Ordinance”) of the City Council of the City of Dripping Springs, Texas (the “City”) to be adopted on April 1, 2025 (see “THE CERTIFICATES - Authority for Issuance” herein).

The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. The Certificates are additionally secured by a limited pledge of the “Surplus Revenues” derived from the operation of the City’s wastewater system, as provided in the Ordinance. See “THE CERTIFICATES - Security for Payment” and “AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitation” herein.

Interest on the Certificates will accrue from the Delivery Date (as defined below) and will be payable on September 1 and March 1 of each year, commencing September 1, 2025, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository. Book entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as the initial paying agent/registrant (the “Paying Agent/Registrar”) to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates (see “BOOK-ENTRY-ONLY SYSTEM” herein).

The proceeds of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City’s downtown area; (3) constructing a city public works facility to support the City’s utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City’s park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

FOR MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES SEE INSIDE PAGE OF THIS FRONT COVER.

This cover page contains certain information for quick reference only. It is not a summary of the Certificates. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Certificates are offered for delivery, when, as and if issued and received by the Underwriter named below (the “Underwriter”) and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. (See Appendix D – Form of Legal Opinion of Bond Counsel.) Certain legal matters will be passed upon for the Underwriter by their counsel, Orrick, Herrington & Sutcliffe LLP (see “LEGAL MATTERS” herein). It is expected that the Certificates will be available for initial delivery through DTC on or about April 29, 2025 (the “Delivery Date”).

FHN Financial Capital Markets

* Preliminary; subject to change.

\$12,755,000
CITY OF DRIPPING SPRINGS, TEXAS,
(A political subdivision of the State of Texas located in Hays County, Texas)
COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

CUSIP NO. PREFIX: _____

Stated Maturity (September 1)	Principal Amount	Interest Rate (%)	Initial Yield (%) ⁽²⁾	CUSIP No. Suffix ⁽¹⁾
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Certificates may also be subject to mandatory sinking fund redemption if the Underwriter elects to aggregate two or more consecutive serial maturities as "Term Certificates" (see "THE CERTIFICATES – Redemption Provisions of the Certificates" herein).

** Preliminary; subject to change.*

(1) CUSIP numbers are included solely for the convenience of owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the service provided by CGS. CUSIP numbers are provided for convenience of reference only. The City, the City's Financial Advisor and the Underwriter do not take any responsibility for the accuracy of such numbers.

(2) Yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.

**CITY OF DRIPPING SPRINGS, TEXAS
CITY COUNCIL**

<u>Name</u>	<u>Place</u>	<u>Term Expires (May)</u>
Bill Foulds, Jr.	Mayor	2026
Taline Manassian	Place 1, Mayor Pro Tem	2025
Wade King	Place 2	2026
Geoffrey Tahuahua	Place 3	2025
Travis Crow	Place 4	2026
Sherrie Parks	Place 5	2025

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Length of Service With City</u>
Michelle Fischer	City Administrator	26 Years
Ginger Faught	Deputy City Administrator	24 Years
Shawn Cox	Deputy City Administrator	4 Years
Diana Boone	City Secretary	8 months
Laura Mueller	City Attorney	5 Years

CONSULTANTS AND ADVISORS

AUDITORS

Whitley Penn LLP

FINANCIAL ADVISOR TO THE CITY

SAMCO Capital Markets, Inc.

BOND COUNSEL

McCall, Parkhurst & Horton L.L.P.

UNDERWRITER'S COUNSEL

Orrick, Herrington & Sutcliffe LLP

For additional information regarding the City, please contact:

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City Administrator
City of Dripping Springs
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(512) 858-4725
mfischer@cityofdrippingsprings.com

Christina M. Lane
Senior Managing Director, Austin
SAMCO Capital Markets, Inc.
6805 N. Capital of Texas Highway, Suite 350
Austin, Texas 78731
(512) 343-0268
clane@samcocapital.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Certificates, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement, which includes the cover page and appendices thereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter.

The information and expressions of opinion 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 information or opinions set forth herein after the date of this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its respective responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

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

None of the City, the Financial Advisor, or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Certificates, is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE CERTIFICATES.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. 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. See "FORWARD LOOKING STATEMENTS" herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

The City	The City of Dripping Springs, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Hays County, Texas. The City is located in northern Hays County, and sits approximately 23 miles east of Austin, Texas. Access to the City is provided by State Highway 290. The City covers approximately 9.93 square miles. The City’s location is part of the growing Austin - Hays County area and has resulted in rapid growth over the last several years. The City’s 2020 census population was 4,650. The City’s population estimate as of March 2025 is 10,550 (see “APPENDIX B – General Information Regarding the City of Dripping Springs and Its Economy”).
The Certificates	The Certificates are being issued pursuant to Subchapter C, Chapter 271, Texas Local Government Code (the “Certificates of Obligation Act of 1971”), as amended, Chapter 1502, Texas Government Code, as amended, an ordinance (the "Ordinance") to be adopted by the City Council of the City on April 1, 2025. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. The Certificates are additionally secured by a limited pledge of the “Surplus Revenues” derived from the operation of the City’s wastewater system, as provided in the Ordinance (see “THE CERTIFICATES - Security for Payment” and “AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitation” herein).
Redemption Provisions	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Certificates may also be subject to mandatory sinking fund redemption if the Underwriter elects to aggregate two or more consecutive serial maturities as “Term Certificates” (see "THE CERTIFICATES – Redemption Provisions of the Certificates" herein).
Tax Matters	In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of delivery thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. (See "TAX MATTERS" and “APPENDIX D – Form of Legal Opinion of Bond Counsel" herein.)
Use of Proceeds	The Certificates will be issued for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City’s downtown area; (3) constructing a city public works facility to support the City’s utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving,

	renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City's park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.
Ratings	Moody's Investors Service, ("Moody's") has assigned an unenhanced, underlying rating of "Aa1" to the Certificates. (See "OTHER PERTINENT INFORMATION – Ratings" herein.)
Payment Record	The City has never defaulted with respect to the payment of the principal and interest requirements on any of its bonded indebtedness.
Future Bond Issues	The City anticipates issuing approximately \$51,000,000 of general obligation debt within the next two to three years for a wastewater system project that will be split into two phases. The City also anticipates issuing approximately \$11,000,000 of general obligation debt within the next five years for its share of infrastructure for the Wildridge subdivision.
Delivery	When issued, anticipated on or about April 29, 2025.
Legality	Delivery of the Certificates is subject to approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality of the Certificates by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel.

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PRELIMINARY OFFICIAL STATEMENT

RELATED TO

\$12,755,000

CITY OF DRIPPING SPRINGS, TEXAS

(A political subdivision of the State of Texas located in Hays County, Texas)

COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement of the City of Dripping Springs, Texas (the "City") is provided to furnish certain information in connection with the sale of the City's \$12,755,000 Combination Tax and Limited Revenue Certificates of Obligation, Series 2025 (the "Certificates").

This Official Statement, which includes the cover page and the appendices hereto, provides certain information about 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 upon request from the City and, during the offering period, from the City's Financial Advisor, SAMCO Capital Markets, Inc., 6805 N. Capital of Texas Highway, Suite 350, Austin, Texas 78731, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Certificates will be filed by the Underwriter with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance (defined below).

THE CERTIFICATES

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") pursuant to the provisions of the Certificate of Obligation Act of 1971, as amended, Texas Local Government Code Section 271.041 through Section 271.064, Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City on April 1, 2025.

General Description

The Certificates are dated April 1, 2025 (the "Dated Date") and will accrue interest from the Delivery Date, and such interest shall be payable on March 1 and September 1 in each year, commencing September 1, 2025, until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Certificates is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and

*Preliminary, subject to change

expense of, the registered owner. The principal of the Certificates is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity.

Initially the Certificates will be 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. Notwithstanding the foregoing, as long as the Certificates are held in the Book-Entry-Only System, 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.

Use of Proceeds

The proceeds of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City's downtown area; (3) constructing a city public works facility to support the City's utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City's park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

Security for Payment

The Certificates constitute direct and general obligations of the City payable primarily from ad valorem taxes levied against all taxable property therein, within the limits prescribed by law. The Certificates are additionally secured by a limited pledge of the "Surplus Revenues" derived from the operation of the City's wastewater system, as provided in the Ordinance (see "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitation" herein).

Redemption Provisions of the Certificates

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Certificates may also be subject to mandatory sinking fund redemption if the Underwriter elects to aggregate two or more consecutive serial maturities as "Term Certificates" (see "THE CERTIFICATES – Redemption Provisions of the Certificates" herein).

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.

Selection of Certificates for Redemption

If less than all of the Certificates are redeemed within a stated maturity at any time, the Certificates to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of \$5,000 within any stated maturity.

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 each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Certificates kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE CERTIFICATEHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Ordinance, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Certificate (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificate shall not be deemed to be Outstanding.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates held by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Legality

The Certificates are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated on or about April 29, 2025.

Payment Record

The City has never defaulted with respect to the payment of the principal and interest requirements on any of its bonded indebtedness.

Future Bond Issues

The City anticipates issuing approximately \$51,000,000 of general obligation debt within the next two to three years for a wastewater system project that will be split into two phases. The City also anticipates issuing approximately \$11,000,000 of general obligation debt within the next five years for its share of infrastructure for the Wildridge subdivision.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and, (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid, and such principal and interest shall be payable solely from such money or Defeasance Securities, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are

extinguished; provided, however, that the right to call the Certificates for redemption that have been defeased to stated maturity is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of all of the registered owners of the Certificates then outstanding, no such amendment, addition, or rescission may (1) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage amount of the Certificates necessary to be held by Registered Owners for consent to such amendment.

Remedies

If the City defaults in the payment of principal or 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 forth 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 the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests 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. Texas cities are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will

be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). 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 and by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Certificates are not held in the Book-Entry-Only System, interest on the Certificates will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER, AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Certificates will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The City covenants that until the Certificates are paid, it will at all times maintain and provide a Paying Agent/Registrar. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City will promptly cause a notice thereof to be sent to each

registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the person entitled to the payment of interest on a Certificate is the fifteenth day of the month next preceding each interest payment date.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

Special Record Date for Interest Payment

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Certificate appearing on the 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.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Certificates and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or 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 registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer 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 denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and at the same maturity or maturities as the Certificate or Certificates surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Limitation on Transferability of Certificates Called for Redemption

Neither the City nor the Paying Agent/Registrar are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Certificates and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Certificates so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

Replacement Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate of like kind and in the same amount as the Certificate mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen, or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to establish to the City and the Paying Agent/Registrar that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with Certificate or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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 DTC, 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 and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter take 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC 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 securities 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 Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered 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"). Direct Participants and Indirect Participants are collectively referred to herein as "Participants." DTC has an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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 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 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 affect 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 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 Series 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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all Certificates of the same maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and all other payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered. Thereafter, the Certificates may be transferred and exchanged as described in the Ordinance.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City’s Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE CITY, THE PAYING AGENT, THE CITY’S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE CERTIFICATES. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE CERTIFICATES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL 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.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Certificates will be applied approximately as follows*:

<u>Sources</u>	
Par Amount of Certificates	\$
[Net] Reoffering Premium on the Certificates	
 Total Sources	 \$ _____
 <u>Uses</u>	
Deposit to Project Fund	\$ _____
Underwriter’s Discount	
Cost of Issuance	
 Total Uses	 \$ _____

INVESTMENT POLICIES

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Council of the City. Both State law and the City’s investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas 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 of Texas or the United States or their respective agencies and instrumentalities,

* Preliminary; subject to change.

including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City’s custodian of the banking deposits issued for the City’s account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or, (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3- 3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 (8) 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 (8) above, clauses (13) through (15) 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 City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) 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; (12) 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; (13) 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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less

than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. 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 below.

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, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's 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, the City's 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 City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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 strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument 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 Council; (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 (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), 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 Treasurer, chief financial officer and investment officers; (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 no-load 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 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.

Current Investments*

As of February 28, 2025, the following percentages of the City's investable funds were invested as indicated below:

<u>Category of Investments</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investments</u>
Depository Bank – Cash	\$29,408,601	100.00%	N/A
Total	\$29,408,601	100.00%	

* Unaudited. All accounts are interest-bearing.

PENSION FUND AND OTHER POST-EMPLOYMENT BENEFITS

See Note 1 – Summary of Significant Accounting Policies – Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position - Pensions and Other Post-Employment Benefits (OPEB), Note 8 – Defined – Benefit Pension Plans – Plan Description and Provisions, and Note 9 – Other Post-Employment Benefits - in the Notes to the Financial Statements of September 30, 2024 included in “APPENDIX C - Excerpts from the City of Dripping Springs, Texas Audited Financial Statements for the Year Ended September 30, 2024.”

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title 1 of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (“Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hays Central Appraisal District (the “Appraisal District”). Except as described below, the Appraisal District is required 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, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the 10% Homestead Cap). The 10% increase is cumulative meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of all homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. The City grants an additional exemption of 1% or \$10,000 of the market value of a residential homestead and grants a local exemption of \$25,000 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible

personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

Tax Increment Reinvestment Zones and Chapter 380 Economic Development Agreements

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment.” During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all overlapping taxing units that elected to participate, are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. The City has created two TIRZs for the promotion of economic development.

Cities are also authorized, pursuant to Chapter 380 of the Texas Local Government Code (“Chapter 380”), to establish programs to promote State or local economic development and to stimulate business and commercial activity. In accordance with programs established pursuant to Chapter 380, a City may make loans or grant public funds for

economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by the voters of the City. The City has entered into such Chapter 380 agreements in recent years.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, 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. The City has no currently active tax abatement agreements.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), 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 (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval 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 voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate, and prominently post on its internet website, its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval 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 voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that 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 voter-approval 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 voter-approval 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 voter-approval 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 and does not qualify as a special taxing unit, 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 or (b) the city's voter-approval 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 voter-approval 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 "voter-approval 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 voter-approval 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 voter-approval 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.

Debt 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-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 of taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the maximum \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection ratio.

City and Taxpayer Remedies

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$59,562,331 for the 2024 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations." The Property Tax Code also

establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Federal bankruptcy law provides that an automatic stay of actions 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.

Future and Proposed State Legislation

The 89th Texas Legislature convened in regular session on January 14, 2025. The regular session will last for 140 days, and thereafter the Governor may call one or more special sessions. During any legislative session the Texas Legislature may enact laws that materially change current law relating to the City including with respect to property taxes. Both the Governor and Lt. Governor of the State have prioritized passing legislation during the current 89th Texas Legislature for significant property tax relief. The City makes no representation regarding any actions the Texas Legislature may take during this current or future legislative sessions but intends to monitor proposed legislation for any developments applicable to the City.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City Application of the Property Tax Code

The City grants a local exemption to the market value of the residence homestead of person 65 years of age or older.

The City grants an additional exemption of the market value of residence homestead.

The City does not provide an additional freeze on total amount of ad valorem taxes levied on the residence of a disabled person or persons 65 years of age or older.

The City does not tax nonbusiness personal property.

The City is one of the few communities in Central Texas that offers a “Triple Freeport” exemption on qualified inventories.

The City does not collect the one-half cent sales tax for economic development.

The City participates in Tax Increment Reinvestment Zones for economic development.

TAX MATTERS

Opinion

On the date of initial delivery, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix D – Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the City’s federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence

an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificate holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Certificates”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

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 accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers

qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code. Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

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 certain specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic

Municipal Market Access (“EMMA”) system through an internet website accessible at www.emma.msrb.org., as described below under “Availability of Information from MSRB” below.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in Tables 1 through 5 and 7 of Appendix A to this Official Statement. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2025. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by March 31 of each year and the audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the 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) redemption 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, which shall occur as described below; (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 to a decision to purchase or sell Certificates; (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. The term “material” when used in this paragraph shall have the meaning as ascribed to it under federal securities laws. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”. Neither the Certificates nor the Ordinance make provisions for liquidity enhancement or debt service reserves.

For these purposes, any event described in clause (12) in the immediately preceding paragraph 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 United States 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. As used in this section, the term “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The City intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information from MSRB

The City has agreed to provide the foregoing information only to the MSRB. All documents provided by the City to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB. This information will be available from the MSRB via its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. No default by the City with respect to its continuing disclosure agreement shall constitute a breach of or default under the Ordinance for purposes of any other provision of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. The City's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise 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, if the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein 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 either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The City may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of the continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

Except as described below, during the past five years, the City has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

On March 26, 2024, the City privately placed its \$2,500,000 Tax Note, Series 2024 (the "Note"). On July 8, 2024, the City filed a material event notice, as part of its continuing disclosure requirements, regarding its incurrence of a financial obligation. On the same day, the City filed a notice of failure to file. The Notice provides that a Notice of Incurrence of a Financial Obligation for the City was not filed within 10 business days of closing of a debt obligation, such as the Note. For further information regarding the Note, please refer to the ordinance attached to such Notice of Incurrence of a Financial Obligation. The Notice was provided solely to comply with the City's agreement to provide ongoing financial information pursuant to one or more continuing disclosure agreements.

On July 8, 2024, within 12 months of its fiscal year ending September 30, 2023, the City filed its Audited Financial Statements and Other Financial Information.

On March __, 2025, the City filed its September 30, 2024, Audited Financial Statement (see CONTINUING DISCLOSURE OF INFORMATION – Annual Reports).

LEGAL MATTERS

The City will furnish the Underwriter with a complete transcript of proceedings for the Certificates incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding general obligations of the City, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding general obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. In its capacity as Bond Counsel, such firm has reviewed the information relating to the Certificates and the Ordinance contained in this Official Statement under the captions "THE CERTIFICATES" (except under the subcaptions "Payment Record," "Future Bond Issues," and "Remedies"), "TAX MATTERS," "OTHER PERTINENT INFORMATION - Registration and Qualification of Certificates for Sale" "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "LEGAL MATTERS," and such firm is of the opinion that the information contained under such captions is a fair and accurate summary of the information purported to be shown and is correct as to matters of law. 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 the Certificates, will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, counsel for the Underwriter. The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

The City is in litigation with Save Our Springs ("SOS") in relation to the City's Wastewater Permit. In its suit, SOS claims that the Texas Commission on Environmental Quality ("TCEQ") did not properly issue the City's Wastewater Permit because it used the wrong standard in evaluating the City's permit. SOS claims that TCEQ should have used a different, federal standard in evaluating the City's permit. SOS claims that by applying such federal standard, the City would not have received its permit, or if received, would have included more restrictions. SOS seeks that the City's current wastewater permit be overturned and that the TCEQ reevaluate the City's application, as well as attorney's fees. It is unlikely that SOS could recover attorney's fees in this case because there is no statutory provision that allows for such fees. That does not, however, prevent SOS from seeking such fees if they are successful. The City asserts that TCEQ did follow the appropriate state law and agency rules in issuing its Wastewater Permit. If the Wastewater Permit

is overturned by the court, the City would need to either restart the wastewater permit issuing process or develop another avenue for wastewater. A decision against TCEQ and the City would delay some City and development projects.

The City is in litigation with the Lazy W Conservation District (“Lazy W”) related to condemnation of a right-of-way for the City’s wastewater line. Lazy W claims that the conservation district’s purpose of protecting endangered animals is more important than the City’s purpose in building a regional wastewater line. The City asserts that its purpose is paramount based on the need for wastewater services throughout the region. Lazy W is not seeking damages, other than the already accounted for cost of the condemned property and potential attorney’s fees.

The City can make no representation regarding the timing of the Court’s rulings on the pending litigation. In the opinion of various officials of the City, there is no additional litigation or other proceeding pending against or, to their knowledge, threatened against the City in any court, agency, or administrative body (either state or federal) wherein an adverse decision, including any with regards to the pending litigation that would materially adversely affect the financial condition of the City or the City’s operations.

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, as amended, 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 not less than “A” or its equivalent as to investment quality by a national rating agency. See “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 \$1 million of capital, and savings and loan associations. The Certificates are eligible to insure 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.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

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. It is important to note that the City’s actual results could differ materially from those in such forward-looking statements.

The forward-looking statements 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 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.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

Ratings

Moody's Investors Service ("Moody's") has assigned an unenhanced, underlying rating of "Aa1" to the Certificates. An explanation of the rating may be obtained from Moody's. The rating of the Certificates by Moody's reflects only the view of Moody's at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by Moody's, if, in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources that are believed to be reliable. All of the summaries of the statutes, documents, and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the initial offering prices to the public as shown on page i of this Official Statement, less an underwriting discount of \$_____. The Underwriter 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 Underwriter and other dealers depositing the 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 Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its respective responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the City in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

The Financial Advisor 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 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.

Authorization of the Official Statement

This Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Underwriter will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the City.

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the City and authorize its further use in the reoffering of the Certificates by the Underwriter in accordance with the provisions of the Rule.

CITY OF DRIPPING SPRINGS, TEXAS

/s/ Bill Foulds, Jr.

MAYOR

CITY OF DRIPPING SPRINGS, TEXAS

ATTEST:

/s/ Diana Boone

City Secretary

City of Dripping Springs, Texas

APPENDIX A
SELECTED FINANCIAL INFORMATION OF
THE CITY OF DRIPPING SPRINGS, TEXAS

APPENDIX B
GENERAL INFORMATION REGARDING THE CITY OF DRIPPING SPRINGS
AND ITS ECONOMY

APPENDIX C
EXCERPTS FROM THE CITY OF DRIPPING SPRINGS, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2024

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

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**NOTICE OF INTENTION TO ISSUE CITY OF DRIPPING SPRINGS, TEXAS
COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION**

NOTICE IS HEREBY GIVEN that it is the intention of the City Council of the City of Dripping Springs, Texas, to issue interest bearing Certificates of Obligation of the City (the "Certificates") for the purpose of paying contractual obligations incurred or to be incurred by the City for: (1) designing, constructing, improving, extending, expanding, upgrading and/or developing City streets, roads, intersections and traffic signalization, including related signage, landscaping, purchasing property, including necessary rights-of-way, drainage easements, and other related transportation costs, including, but not limited to, for Old Fitzhugh Road; (2) constructing a public parking structure in the City's downtown area; (3) constructing a city public works facility to support the City's utility system and city streets, including a building for maintenance staff and a holding yard for related materials and equipment; (4) constructing, improving, renovating, upgrading, expanding, and/or equipping the Stephenson Building to be used as part of the City's park system, including ADA and restroom improvements, with such facility to include meeting spaces that will be generally accessible to the public; (5) acquiring, constructing, improving, expanding, and equipping park and recreational facilities; (6) purchasing materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes in relation to the aforementioned capital improvements, including acquiring land for park and recreational purposes; and (7) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

The City Council tentatively proposes to consider for first and final reading at a meeting to commence at 6:00 p.m., on the 1st day of April 2025 in the Board Room located at 300 Sportsplex Drive Dripping Springs, Texas 78620, the passage of an ordinance authorizing the Certificates. The maximum amount of the Certificates that may be authorized for such purpose is \$14,500,000. The City Council presently proposes to provide for the payment of the Certificates from the levy and collection of ad valorem taxes in the City as provided by law and from a limited pledge of the surplus revenues derived from the operation of the City's wastewater system, after payment of all operation and maintenance expenses and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or any part of the revenues of the City's wastewater system, which amount shall not exceed \$5,000.

The following information is required pursuant to Texas Local Government Code, Section 271.049: As of February 4, 2025, the aggregate principal amount of all outstanding debt obligations of the City secured by and payable from ad valorem taxes is \$42,125,000. As of February 4, 2025, the combined principal and interest required to pay all outstanding debt obligations of the City secured by and payable from ad valorem taxes on time and in full is \$46,699,183. The estimated combined principal and interest required to pay the Certificates on time and in full is \$20,091,812.50. The estimated interest rate for the Certificates is 4.22%. Such estimates take into account a number of factors, including the issuance schedule, maturity schedule and the expected ratings of the proposed Certificates. Such estimated interest rate is provided as a matter of information but is not a limitation on the interest rate at which the Certificates may be sold. The maximum maturity date of the Certificates is June 1, 2044.

At its regular meeting on April 1, 2025, the City adopted a Resolution Delaying Action on an Ordinance Authorizing the Issuance of the City of Dripping Springs, Texas Combination Tax and Limited Revenue Certificates of Obligation in an Amount Not to Exceed \$14,500,000 and Other Matters Related Thereto until a regular meeting of the City Council to commence at 6:00 p.m. on April 15, 2025, at its regular meeting place in the Board Room located at 300 Sportsplex Drive, Dripping Springs, Texas.

CITY OF DRIPPING SPRINGS, TEXAS



FY 2025

Finance Department Year in Review

Item # 8.

Director/Department Head	Shawn Cox
Staff: Accountant	Glori Rivas
Accounting Clerk	Penny Appleman
Accounts Receivable Clerk	Alison Jameison
Utility Billing Clerk	Vacant
Utility Billing Clerk	Vacant

Services & Service Levels:

Bank Reconciliation	17 Accounts w/≈ \$25 - \$30 Million
Payroll	Processed within 3 days, every 2 weeks – 60 employees
Purchasing	2,289 payments processed (FY24), 1,105 (FY25)
Invoicing	Approximately 350 Project Accounts
Utility Billing	172 Active Water Accounts Billed Monthly (adding wastewater accounts in 2025)
Hotel Tax Administration	\$1.2 Million Collected in FY24, \$0.575 (FY25)
Budget and Tax Rate	Manage Budget Process for budget of \$10 Million (without \$20 Million WW project) by working through accounts, coordinating department and board budgets, develop and maintain budget calendar, assist with budget and tax notices, assist with TIRZ budget and projects, and manage versions of budget prior to adoption

Projects

- Wastewater Utility Billing Implementation
 - 2,500+ Wastewater Account Starting April
 - Council Approved a 2nd UB Clerk Position in FY25
- Series 2025 Debt Issuance
 - \$14,500,000 for City & TIRZ Projects
- Solid Waste Request For Proposal (RFP)
 - RFP Issued, 3 Responses, Anticipated Selection in April
- Purchasing Cards for Staff
- Mission Square (supplemental retirement-457 Internal Retirement Accounts for Staff)
- Payroll Software Implementation

Budget

Primarily salaries. We also set aside funds for accounting software. Provide consultants for debt issuance and TIRZ projects.



FY 2025

Information & Technology Year in Review

Item # 9.

Director/Department Head
Staff: Percento

Jason Weinstock

Services & Service Levels:

Maintain the operability of the City Network bridging 7 sites, 85 Users, 105 software applications, and 250 devices. A network uptime close to 100%, average ticket resolution/response 1 hour.

Provide support during City Council and Planning and Zoning Commission Meetings when in City Hall.

Department goal is 100% network uptime, 1 hour ticket reply/resolution during regular business hours, staying alert for Cyber Security changes in industry.

FY 2025 Budget Highlights:

What did it cost to provide the services at the desired levels mentioned above.

Total Software \$100,000

Percento cost \$88,515

Utilizing free or already paid for services like SharePoint to build inventory.

Projects:	Start Date:	Completion Date:	Status:	Notes:
<ul style="list-style-type: none"> Development Services Project 	11/01/2023	07/01/2024	Completed	
<ul style="list-style-type: none"> Cell gateway 	10/01/2023	07/01/2024	Completed	

Future:

As we continue to grow, a part time administration assistant, upgrading free services to industry specific tools IE.. SharePoint to Manage Engine.

Surface replacements (Council tablets).

Subdivision Projects				
Subdivision Project Name	City Limits / ETJ	Location	Description	Status
SUB2021-0011 Double L Phase 1 Prelim Plat	ETJ	1.5 miles N of US 290 & RR 12	PP for 243 residential units and 1 amenity center	Approved w/ Conditions
SUB2022-0033 The Ranch at Caliterra	ETJ	Premier Park Loop	Preliminary plat of the Carter tract with 243 lots	Approved w/ Conditions
SUB2022-0043 Howard Ranch Sec 4 Lots 62 & 63 AP	ETJ	590 Cypress Creek Dr	An amending plat to remove a site parking area from the single family lot. This request is by the property owner.	Waiting on Resubmittal
SUB2022-0048 Wild Ridge Phase 1 CP	CL	E US 290	Construction plans for phase 1 of Wild Ridge	Waiting on Resubmittal
SUB2023-0001 Village Grove Phase 2B CP	CL	Sports Park Rd	Residential townhome infrastructure improvements. Construction of 16 Townhome lots and roadways.	Approved w/ Conditions
SUB2023-0003 The Ranch at Caliterra CP	ETJ	Soaring Hill Rd at HC Carter Way	Construction Plans for the Carter tract.	Approved w/ Conditions
SUB2023-0006 Wild Ridge Phase 1 FP	CL	E US 290	Approximately 62.1 acres to include 136 residential lots, roadways, and a commercial lot	Approved w/ Conditions
SUB2023-0008 Silver Creek Subdivision Construction Plans	ETJ	Silver Creek Rd	29 Single family residential lots with access, paving, OSSF, water supply well, and open space	Approved w/ Conditions
SUB2023-0021 Driftwood Golf and Ranch Club Phase Four Subdivision CP	ETJ	Driftwood Ranch Drive	Paving, drainage, water, wastewater subdivision constructions plans.	Approved w/ Conditions
SUB2023-0028 Arrowhead Commercial Final Plat	CL	US Hwy 290 W	Subdividing 6.6 acres as 1 lot.	Waiting on Resubmittal
SUB2023-0034 Lunaroya Subdivision Final Plat	ETJ	Silver Creek Rd	28 single family large residential lots with on site sewage for each lot	Waiting on Resubmittal
SUB2023-0037 Amending Plat of Final Subdivision Plat of Roger Hanks Park	CL	US 290 at Roger Hanks Pkwy	Redesign to include north bound turn lane on Roger Hanks Pkwy. Improvements to Hamilton Crossing and Lake Lucy Loop	Waiting on Resubmittal
SUB2023-0038 The Ranch at Caliterra Final Plat	ETJ	HC Carter Way	234 single family lots on 200.024 acres	Approved w/ Conditions
SUB2023-0039 Wild Ridge Phase 2 Construction Plans	CL	Shadow Ridge Parkway	142 single family lots, minor arterial and local roadways, 2 water quality ponds, utilities, lift station, parkland and open space	Under Review
SUB2023-0042 Hardy Construction Plans	CL	2901 West US 290	78.021 acres subdivided into 73 single family lots	Approved w/ Conditions
SUB2023-0048 Driftwood Falls Estates Subdivision	ETJ	609 S Creekwood Dr	Replat two lots in one.	Approved w/ Conditions
SUB2023-0049 Amended Plat of the Breed Hill Replat Subdivision	ETJ	3100 W US 290	Combining three lots into one.	Approved w/ Conditions
SUB2024-005 Roger Hanks Construction Plans	CL	US 290 at Roger Hanks Pkwy	Public improvements from southern boundary to intersection with 290.	Waiting on Resubmittal
SUB2024-008 Skylight Hills Final Plat	ETJ	13001 and 13111 High Sierra	Subdivide into 5 lots.	Approved w/ Conditions
SUB2024-012 St. Martin's Subdivision, Lots 1 & 2 Amending Plat	CL/ETJ	230 Post Oak Drive	Combine two existing lots into one.	Approved w/ Conditions
SUB2024-015 Gateway Village Phase 1	CL	US 290	Final plat for 144 single family subdivision.	Waiting on Resubmittal
SUB2024-017 Wild Ridge Phase 2 Final Plat	CL	Shadow Ridge Parkway	152 single family residential lots.	Approved w/ Conditions
SUB2024-019 Driftwood Subdivision, Phase 5, Preliminary Plat	ETJ	Thurman Roberts Way	13 lots. 10 residential, 2 open space, and 1 private.	Waiting on Resubmittal
SUB2024-021 Village Grove Phase 2A Subdivision	CL	Village Grove Parkway	Infrastructure for 64 single family residential lots on 18.206 acres	Waiting on Resubmittal
SUB2024-024 Heritage Phase 4 Subdivision	CL	Sportsplex Drive	115 single family lots on 31.80 acres	Waiting on Resubmittal
SUB2024-025 Village Grove Phase 3 Subdivision	CL	Village Grove Parkway	115 single family lots on 30.04 acres	Waiting on Resubmittal
SUB2024-028 Off Site Waterline Plans for Luna Roya Subdivision	ETJ	Silver Creek Rd	Waterline infrastructure construction plans.	Waiting on Resubmittal
SUB2024-030 Heritage Phase 3 Final Plat	CL	Sportsplex Drive	164 lot subdivision plat	Waiting on Resubmittal
SUB2024-033 Village Grove Phase 1 Final Plat	CL	Village Grove Parkway	Plat of 1 roadway, 2 water quality ponds, and 1 drainage easement.	Waiting on Resubmittal
SUB2024-034 Village Grove Phase 2A Final Plat	CL	Village Grove Parkway	Final plat for 165 single family lots.	Waiting on Resubmittal
SUB2024-036 Mitchel Property Preliminary Plat	ETJ	Silver Creek Rd	33 residential lots.	Waiting on Resubmittal
SUB2024-037 Driftwood Golf Club Development Effluent and WW Forcemains	ETJ	Thielepape Cove	12,185 linear feet of 12", 6", or 2" forcemain	Waiting on Resubmittal
SUB2025-001 Village Grove Phase 2B Final Plat	CL	Village Grove Parkway	262 single family residential lots.	Waiting on Resubmittal
SUB2025-002 Lunaroya PH 3 Preliminary Plat	ETJ	13755 Silver Creek Dr	9 single family residential lots.	Waiting on Resubmittal

Site Development Projects				
Site Development Project Name	City Limits / ETJ	Location	Description	Status
SD2021-0005 Dripping Springs WWTP Expansion	CL	23127 FM 150 W	Expansion of the Wastewater treatment plant.	HOLD
SD2021-001 Blue Ridge Business Park	CL	26228 RR 12	Extension of previously approved site plan.	Under Review
SD2021-0021 RR 12 Commercial Kitchen	CL	28707 RR 12	Commercial kitchen that will support a catering business, no on-site dining is proposed.	Approved w/ Conditions
SD2021-0033 Bell Springs Business Park, Sec 1&2 Rev	ETJ	4955 Bell Springs	A revision for minor adjustments on site layouts, rainwater, and overall drainage & water quality.	Approved w/ Conditions
SD2022-0001 Julep Commercial Park	ETJ	Northeast corner of W US 290 and Trautwein Rd	11.27 acre site of mixed-use commercial buildings with supporting driveways, water quality and detention pond, rainwater harvesting, and other utilities.	Waiting on Resubmittal
SD2022-0010 Wenty's Wine Bar	ETJ	5307 Bell Springs Rd	Wine bar and associated improvements.	Waiting on Resubmittal
SD2022-0013 DS Flex Business Park	CL	28513 RR 12	Construction of two shell buildings with accompanying site improvements.	Waiting on Resubmittal
SD2022-0011 Skybridge Academy	CL	519 Old Fitzhugh Road	Remodel/repurpose of existing historic structures, add new construction to tie together the house and garage with additional parking and revised driveway	Approved w/ Conditions
SD2022-0014 Bell Springs Site Plan (Travis Flake)	ETJ	5307 Bell Springs Rd	Office and Warehouse with drives, parking, waterline connection, and pond.	Approved w/ Conditions
SD2022-0018 Office 49	ETJ	241 Frog Pond Lane	The construction of eleven office buildings of varying sizes along with the related paving, grading, drainage, and utility improvements.	Waiting on Resubmittal
SD2022-0019 Double L Ranch, Phase 1	ETJ	RR 12	Construction of water, wastewater, drainage and paving improvements for 244 single family lots.	Approved
SD2022-0020 Merigian Studios	ETJ	105 Daisy Lane	Art studio with driveway, parking, and external structures.	Approved w/ Conditions
SD2022-0024 4400 US 290 SP	ETJ	4400 US 290	7 Commercial Buildings in the ETJ.	Approved w/ Conditions
SD2022-0025 Hardy Drive	ETJ	2901 US 290	Construction of a road for the Hardy and Bunker Ranch development to meet fire code.	Approved w/ Conditions
SD2023-0004 Austin Ridge Bible Church Revision	ETJ	31330 Ranch Road 12	Removal of the existing old house, the addition of 3 portable buildings and pavilion; additional parking.	Waiting on Resubmittal
SD2023-0007 Phase 4A Drip Irrigation System Improvements	ETJ	2581 E Hwy 290	The project is Phase 4A of the drip disposal fields and consists of 14.76 acres of drip irrigation fields only.	Approved w/ Conditions
SD2023-0008 102 Rose Drive	CL	102 Rose Dr	Construction of tow additional duplexes w/ accompanying site improvements.	Waiting on Resubmittal
SD2023-0010 Creek Road Horse Farms	CL/ETJ	1225 Creek Rd	Horse training facility with covered riding arena, barn, storage building and open-air riding.	Waiting on Resubmittal
SD2023-0011 Amazing Explorers Academy	ETJ	Ledgestone	Daycare facility, including driveways, parking areas; and water, wastewater, and stormwater facilities.	Waiting on Resubmittal
SD2023-0014 BR Dripping Springs	CL	27010 RR 12	3 commercial buildings with parking, stormwater and water quality.	Waiting on Resubmittal
SD2023-0018 Sunset Canyon Storage Facility	ETJ	950 S. Sunset Canyon Drive	Proposed storage facility with associated parking and drive.	Waiting on Resubmittal
SD2023-0019 3980 US 290 Warehouse	ETJ	3980 US 290	Construction of 4 - 5k sq ft Warehouse/office buildings.	Waiting on Resubmittal
SD2023-0020 Graveyard Cellars	ETJ	24101 RR 12	2800 sq ft building and parking.	Approved w/ Conditions
SD2024-001 Roxie's at Dripping Springs	CL	299 W. Mercer Street	Renovating and expanding site.	Waiting on Resubmittal
SD2024-002 QuickTrip #4133	CL	HWY 290 and Sawyer Ranch Rd	Convenience store with fuel sales.	Waiting on Resubmittal
SD2024-004 Glass Business Park, Phase 2	ETJ	2560 W Hwy 290	Construction of 6 additional warehouse buildings with associated site improvements	Under Review
SD2024-007 New Growth at Roger Hanks	CL	US 290 at Roger Hanks Pkwy	Mix land use and 240 residential units with parkland and roadway connections.	Waiting on Resubmittal
SD2024-008 AutoZone 5807 Dripping Springs	CL	US Hwy 290	Retail parts store.	Waiting on Resubmittal
SD2024-010 Austin Ridge Bible Church	ETJ	3100 E Hwy 290	Church campus, with worship center, driveways, parking, detention, and park area.	Waiting on Resubmittal
SD2024-011 Patriot Erectors CZP	ETJ	3023 West Hwy 290	Detention pond.	Waiting on Resubmittal
SD2024-012 5285 Bell Springs Rd	ETJ	5285 Bell Springs Rd	Private religious educational facility and associated improvements.	Waiting on Resubmittal
SD2024-013 Cowboy Church of the Hill Country	ETJ	207 Darden Hill Road	Construction of a church building and accompanying site improvements.	Waiting on Resubmittal
SD2024-014 Pear Tree Commercial	ETJ	27322 RR 12	Existing commercial space. Pave the parking area and provide water quality treatment of that area.	Waiting on Resubmittal
SD2024-018 Short Mama's	CL	101 College Street	Existing project addition to include dining area, parking, lawn area, stage, and streetscaping.	Waiting on Resubmittal
SD2024-019 VB Dripping Springs	CL	27320 RR 12	100' wireless telecommunication tower.	Under Review
SD2024-020 Lost Lizard	ETJ	10730 FM 967	Four residential accessory structures and gravel parking.	Waiting on Resubmittal
SD2024-021 Genesis City - Glamping Hotel	ETJ	113 Concorde Circle	One main building with 9 cabins, and parking.	Waiting on Resubmittal
SD2024-022 Stephenson Building Addition and Parking Improvements	CL	31.1 Old Fitzhugh Rd	Phase 1:Stephenson building addition. Phase 2: parking lot improvements.	Waiting on Resubmittal
SD2025-001 Lazare Properties	CL	28485 RR 12	Post office, deli express bar/waiting area, and retail space.	Waiting on Resubmittal
SD2025-002 Ewald Kubota	ETJ	3981 E US 290	Kubota sales and service center with customer and display parking.	Under Review

<i>Ongoing Projects</i>	
Comprehensive Plan	Comprehensive plan subcommittee April
Cannon Mixed-Use	Awaiting Resubmittal
PDD2023-0001 Madelynn Estates	Dormant
PDD2023-0002 Southern Land	April DAWG Meeting
PDD2023-0003 ATX RR12 Apartments	Under Review

In Administrative Completeness	Filing Date
ADMIN2025-006 Ewald Kubota Plat	2-Apr
ADMIN2024-061 The Replat of Downstream Subdivision Lot 6	2-Apr
ADMIN2025-007 Replat of Lot 1 Howard Ranch Commercial	2-Apr
SD2024-022 Stephenson Building Addition and Parking Improvements	2-Apr
SUB2024-036 Mitchell Property Preliminary Plat	2-Apr