

**NOTICE OF SALE  
AND  
BIDDING INSTRUCTIONS  
ON  
\$17,900,000\*  
CITY OF BEE CAVE, TEXAS  
(A political subdivision of the State of Texas located in Travis County)  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

**Bids Due Tuesday, July 29, 2025 at 10:30 AM, CDT**

**THE SALE**

**CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING** . . . The City of Bee Cave, Texas (the “City”), is offering for sale its \$17,900,000\* Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”). Bids may be submitted by either of three alternative procedures: (i) written bids; (ii) electronic bids; or (iii) telephone or facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the City nor its Financial Advisor, Specialized Public Finance Inc. (the “Financial Advisor”), assume any responsibility or liability for a prospective bidding procedure.

The City and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of written, electronic, telephone or facsimile bids.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Notice of Sale and Bidding Instructions (the “Notice of Sale”), for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System (“PARITY”).

**WRITTEN BIDS DELIVERED IN PERSON** . . . Signed bids, plainly marked “Bid for Certificates,” should be addressed to “Mayor and City Council, City of Bee Cave, Texas,” and delivered to the City’s Financial Advisor at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 by 10:30 AM, CDT on July 29, 2025 (the “date of the bid opening”). All bids must be submitted on the Official Bid Form, without alteration or interlineation.

**ELECTRONIC BIDDING PROCEDURE** . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 10:30 AM, CDT on July 29, 2025. Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provision of the Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For information purposes only, bidders are requested to state in their electronic bids the True Interest Cost (as defined herein) to the City, as described under “CONDITIONS OF THE SALE – BASIS FOR AWARD” below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

**BIDS BY TELEPHONE** . . . Bidders must submit SIGNED Official Bid Forms to Jennifer Ritter, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 10:00 AM CDT on the date of the bid opening.

Telephone bids will be accepted at (512) 275-7300, between 10:00 AM and 10:30 AM, CDT on the date of the bid opening.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.

Specialized Public Finance Inc. assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if telephone or fax options are exercised.

**PLACE AND TIME OF BID OPENING** . . . The bids for the Certificates will be publicly opened and read in the office of the Financial Advisor at 10:30 AM, CDT, Tuesday, July 29, 2025.

\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION.” Preliminary, subject to change.

**SIGNED OFFICIAL BID FORM** . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately and must submit via email a Signed Official Bid Form in connection with the sale, by 11:00 AM CDT on the date of the sale to Monica Melvin, Specialized Public Finance Inc. at monica@spfmuni.com.

**AWARD OF THE CERTIFICATES** . . . The City Council will adopt an ordinance (the “Ordinance”) to authorize the sale of the Certificates and approve other related matters at a meeting scheduled to convene at 6:00 PM, CDT, on the date of the bid opening. In the Ordinance, the City Council will approve the sale of the Certificates to the qualifying bidder whose bid produces the lowest True Interest Cost rate on the Certificates (see “CONDITONS OF THE SALE – BASIS FOR AWARD”). Sale of the Certificates will be made subject to the terms, conditions and provisions of the Ordinance. The City reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

**WITHDRAWAL OF THE BIDS** . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

**EXTENSION OF SALE DATE** . . . The City reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT on Monday, July 28, 2025 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Notice of Sale.

## THE CERTIFICATES

**DESCRIPTION** . . . The Certificates will be dated August 19, 2025 (the “Dated Date”). Interest will accrue from the Date of Initial Delivery (defined herein) of the Certificates and will be due on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on September 1 in each year as follows:

### MATURITY SCHEDULE\*

Maturity (September 1)	Principal Amount	Maturity (September 1)	Principal Amount
2026	\$ 195,000	2036	\$ 915,000
2027	315,000	2037	960,000
2028	620,000	2038	1,005,000
2029	650,000	2039	1,055,000
2030	680,000	2040	1,110,000
2031	715,000	2041	1,165,000
2032	750,000	2042	1,225,000
2033	790,000	2043	1,285,000
2034	830,000	2044	1,350,000
2035	870,000	2045	1,415,000

\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION.” Preliminary, subject to change.

**REDEMPTION** . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or from time to time 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 fixed for redemption. Additionally, the Certificates may be subject to mandatory sinking fund redemption in the event the Purchaser (defined herein) elects to aggregate two or more consecutive maturities as “Term Certificates.”

**SERIAL CERTIFICATES AND/OR TERM CERTIFICATES** . . . Bidders may provide that all of the Certificates be issued as serial Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more Term Certificates.

**BOOK-ENTRY-ONLY SYSTEM** . . . The City intends to utilize the book-entry-only system of The Depository Trust Company (“DTC”) (see “THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM” in the Official Statement).

**PAYING AGENT/REGISTRAR** . . . The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – PAYING AGENT/REGISTRAR” in the Official Statement).

**SOURCE OF PAYMENT** . . . The Certificates constitute direct obligations of the City, payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance. In addition, the Certificates also have a limited pledge of surplus revenues of the City's library system not to exceed \$1,000.

Further details regarding the Certificates are set forth in the Official Statement.

## **CONDITIONS OF THE SALE**

**TYPE OF BIDS AND INTEREST RATES** . . . The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than 102% of their par value and not more than 110% of their par value. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 2.5% in rate. No coupon rate greater than 5.00% will be accepted. For Certificates having stated maturities on and after September 1, 2035, no reoffering yield producing a dollar price less than 97.5% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**POST BID MODIFICATION OF PRINCIPAL AMORTIZATION** . . . After selecting the winning bid, the aggregate principal amount of the Certificates and the principal amortization schedule may be adjusted as determined by the City and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Certificates by more than 15% from the amount set forth herein. The dollar amount bid for the Certificates by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Certificates finally determined to be issued. The City will use its best efforts to communicate to the winning bidder any such adjustment within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Certificates as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Certificates from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedule for the Certificates made by the City or its Financial Advisor shall be subsequent to the award of the Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS FOR AWARD" herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

**BASIS FOR AWARD** . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Certificates will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the "Purchaser") making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The "True Interest Cost" rate is that rate which, when used to compute the total present value as of the Date of Initial Delivery of all debt service payments on the Certificates on the basis of semiannual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid, if any. In the event of a bidder's error in interest cost rate calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the City with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the City with a breakdown of its "underwriting spread" including among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

**ESTABLISHING THE ISSUE PRICE FOR THE CERTIFICATES** . . . In the event that the City does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the City to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Certificates, the City will treat (i) the first price at which 10 percent of a maturity of the Certificates is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) the initial offering price to the public as of the sale date of any maturity of the Certificates as the issue price of that maturity (the "hold the price rule"). If the 10 percent rule has not been satisfied as to any maturity of the Certificates, the winning bidder agrees to promptly report to Specialized Public Finance Inc. the prices at which it sells Certificates of that maturity to the public. This reporting obligation shall continue, whether or not the Certificates have been delivered, until the 10 percent rule has been satisfied. The attached "Issue Price Certificate" has language for (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

**PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 ("TEC FORM 1295")** . . . In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the “TEC Form 1295”) to the City as prescribed by the Texas Ethics Commission (“TEC”), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the “Publicly Traded Entity Representation”).

In the event that the bidder’s bid for the Certificates is the best bid received, the City, acting through its Financial Advisor, will promptly notify the winning bidder. That notification will serve as the City’s conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the City to complete the award. The City reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*City of Bee Cave, Texas*) and box 3 is the identification number assigned to this contract by the City (*Bee Cave CO 2025*) and description of the goods or services (*Purchase of the City of Bee Cave, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require certain business entities contracting with the City to complete the TEC Form 1295 electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC’s “electronic portal” to the City. The completed and signed TEC Form 1295 must be sent by email, to the City’s Financial Advisor at [jennifer@spfmuni.com](mailto:jennifer@spfmuni.com) as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: [juliahouston@orrick.com](mailto:juliahouston@orrick.com).

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the City, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made “under oath and under penalty of perjury.” Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. Time will be of the essence in submitting the form to the City, and no final award will be made by the City regarding the sale of the Certificates until a completed TEC Form 1295 is received, if applicable. The City reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein. Neither the City nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the City that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at [https://www.ethics.state.tx.us/whatsnew/elf\\_info\\_form1295.htm](https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm).

If the apparent winning bidder and each syndicate member listed on the Official Bid Form fail to promptly file the TEC Form 1295 or provide the Publicly Traded Entity Representation, the City reserves the right to reject such bid and, through its Financial Advisor, provide conditional verbal acceptance to the bidder submitting a bid, conforming to the specifications herein, which produces the next, lowest True Interest Cost rate to the City.

**VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS** . . . The City will not award the Certificates to a bidder unless the following representations and covenants (the “Covered Verifications”) pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the “Government Code”), are included in the bid. As used in such verifications, “affiliate” means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of Securities and Exchange Commission (“SEC”) Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the contract for purchase and sale of the Bonds created thereby (the “Agreement”) shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or this Notice of Sale, notwithstanding anything in the Official Bid Form or this Notice of Sale to the contrary.

**(i) No Boycott of Israel (Texas Government Code Chapter 2271):** A bidder and each syndicate member must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

**(ii) Not a Sanctioned Company (Texas Government Code Chapter 2252):** A bidder and each syndicate member must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

**(iii) No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274):** A bidder and each syndicate member must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates

against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

**(iv) No Boycott of Energy Companies (Texas Government Code Chapter 2276):** A bidder and each syndicate member must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

**THE CITY RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

**FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT** . . . Each prospective bidder and each syndicate member must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the “All Bond Counsel Letter”). In submitting a bid, a bidder and each syndicate member represent to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The City will not accept a bid from a bidder (including each syndicate member listed on the Official Bid Form) that does not have such standing letter on file as of the deadline for bids for the Certificates. In addition, at the request of the City or Bond Counsel or if the prospective bidder, any syndicate member or the parent company, a wholly- or majority-owned subsidiary or another affiliate of the prospective bidder or any syndicate member receives a request letter from the Attorney General or the Texas Comptroller in connection with a review of their standing letter, the prospective bidder or syndicate member shall promptly notify the City and Bond Counsel (if it has not already done so) and provide to the City and Bond Counsel, at least two business days prior to the closing of the Certificates and additionally upon request by the City or Bond Counsel, written verification to the effect that its standing letter described in the preceding sentence remains in effect and may be relied upon by the City and the Attorney General (the “Bringdown Verification”). The Bringdown Verification may be in the form of an e-mail.

**THE CITY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES ARE, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES OR DISCRIMINATING AGAINST FIREARM ENTITIES.**

**BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE CITY AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.**

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (as defined herein) (see “CONDITIONS OF THE SALE – GOOD FAITH DEPOSIT”).

**IMPACT OF BIDDING SYNDICATE ON AWARD** . . . For purposes of contracting for the sale of the Certificates, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Certificates. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the City is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

**GOOD FAITH DEPOSIT** . . . The winning bidder will be required to provide a deposit in the amount of \$358,000 (the “Good Faith Deposit”) to the City as bid security by 5:00 p.m. CDT on July 29, 2025. The bid security may be provided to the City (i) via wire transfer (the City or its Financial Advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier’s check made payable to the order of City in the amount of the deposit set forth above. The wire option will be retained by the City and: (a) will be applied, without allowance for interest, against the purchase price when the Certificates are delivered to and paid for by such winning bidder or (b) will be retained by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid; provided, however, if it is determined after the acceptance of the bid by the City that the Purchaser was found not to satisfy the requirements described under “CONDITIONS OF THE SALE – VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS” and “– FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT” and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City, or (c) will be returned to the winning bidder if the Certificates are not issued by the City for any reason which does not constitute a default by the winning bidder. If the check option is utilized, the check will be (a) returned uncashed to the winning bidder when the Certificates are delivered to and paid for by such winning bidder, (b) cashed by the City as liquidated damages if the winning bidder defaults with respect to the terms of its bid; provided, however, if it is determined after the acceptance of the bid by the City that the Purchaser was found not to satisfy the requirements described under “CONDITIONS OF THE SALE – VERIFICATIONS OF

STATUTORY REPRESENTATIONS AND COVENANTS” and “– FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT” and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the City but shall not be the sole or exclusive remedy available to the City, or (c) returned uncashed to the winning bidder if the Certificates are not issued by the City for any reason which does not constitute a default by the winning bidder.

## **DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS**

**CUSIP NUMBERS** . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the purchaser at the time the Certificates are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Certificates shall be paid by the City.

**DELIVERY OF CERTIFICATES** . . . Delivery will be accomplished by the issuance of one “Initial Certificate”, either in typed or printed form, in the aggregate principal amount of \$17,900,000\*, payable in stated installments to the Purchaser, signed by the Mayor and City Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC’s book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Purchaser will be given six business days’ notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about August 19, 2025 (the “Date of Initial Delivery”), and it is understood and agreed that the Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, CDT, on August 19, 2025, or thereafter on the date the Certificate is tendered for delivery, up to and including September 2, 2025. If for any reason the City is unable to make delivery on or before September 2, 2025, the City shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City’s reasonable control.

**CONDITIONS TO DELIVERY** . . . The obligation of the Purchaser to take up and pay for the Certificates is subject to the Purchaser’s receipt of (a) the legal opinion of Orrick Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel for the City (“Bond Counsel”) and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Certificates from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the City (no later than the close of business on the business day following the award of the bid) a certification as to their “issue price” substantially in the form and to the effect attached hereto or accompanying this Notice of Sale. In the event the successful bidder will not reoffer the Certificates for sale, such certificate may be modified in a manner approved by the City. In no event will the City fail to deliver the Certificates as a result of the Purchaser’s inability to sell a substantial amount of the Certificates at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such Issue Price Certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the City. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

**LEGAL OPINION** . . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Purchaser of the approving opinion of the Attorney General of the State of Texas and the legal opinion of Bond Counsel, to the effect that the Certificates are valid and binding obligations of the City (except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors’ rights generally or by general principles of equity which permit the exercise of judicial discretion) and that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS” in the Official Statement.

**NO MATERIAL ADVERSE CHANGE** . . . The obligations of the City to deliver the Certificates and of the Purchaser to accept delivery of and pay for the Certificates are subject to the condition that at the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

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\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION.” Preliminary, subject to change.

**NO-LITIGATION CERTIFICATE** . . . On the date of delivery of the Certificates to the Purchaser, the City will deliver to the Purchaser a certificate, as of the same date, to the effect that to the best of the City's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the City, seeking to restrain or enjoin the issuance or delivery of the Certificates or questioning the issuance or sale of the Certificates, the authority or action of the governing body of the Issuer relating to the issuance or sale of the Certificates, the levy of the tax, or the assessment and collection thereof, to pay the principal of and interest on the Bonds, the collection of the revenues of the City's library system (the "System"), or the imposition of rates and charges with respect to the System, pledged to pay the principal of and interest on the Certificates or that otherwise would have a material adverse effect on the financial affairs of the City or the System to pay the Certificates.

## **GENERAL**

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

**BLUE SKY LAWS** . . . By submission of its bid, the Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

**NOT AN OFFER TO SELL** . . . This Notice of Sale does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Certificates.

**ISSUANCE OF ADDITIONAL DEBT** . . . The City does not anticipate issuing additional tax supported bonds within the next twelve months.

**RATING** . . . The Certificates have been rated "AAA" by S&P Global Ratings ("S&P") without regard to credit enhancement.

**THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12** . . . The City has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12 (the "Rule"), deems such Official Statement to be final as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and in the Official Statement.

The City will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

**UPDATING THE OFFICIAL STATEMENT DURING THE UNDERWRITING PERIOD** . . . If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the City learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Certificates as described in the notice of sale accompanying this Official Statement. The obligation of the City to update or change the Official Statement will terminate when the City delivers the Certificates to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Purchaser provides written notice the City that less than all of the Certificates have been sold to ultimate customers on or before such date, in which case the Certificate to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Certificates have been sold to ultimate customers. In the event the Purchaser provides written notice to the

City that less than all of the Certificates have been sold to ultimate customers, the Purchaser agrees to notify the City in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

**CONTINUING DISCLOSURE AGREEMENT** . . . The City will agree in the Ordinance to provide certain periodic information and notices of specified events in accordance with the Rule, as described in the Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Purchaser’s obligation to accept and pay for the Certificates is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Ordinance containing the agreement described under such heading.

The City has approved the form and content of the Notice of Sale and Bidding Instructions, the Official Bid Form and Official Statement, and authorized the use thereof in its initial offering of the Certificates. On the date of the sale, the City Council will, in the Ordinance authorizing the issuance of the Certificates, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Purchaser.

/s/ Kara King  
Mayor, City of Bee Cave, Texas

ATTEST:

/s/ Jo Ann Touchstone  
City Secretary, City of Bee Cave, Texas

July 16, 2025



## OFFICIAL BID FORM

Honorable Mayor and City Council  
City of Bee Cave, Texas  
4000 Galleria Parkway  
Bee Cave, Texas 78738

July 29, 2025

Members of the City Council:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated July 16, 2025, of \$17,900,000\* CITY OF BEE CAVE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025 (the "Certificates"), both of which constitute a part hereof.

For your legally issued Certificates, in the aggregate principal amount of \$17,900,000\*, we will pay you a price of \$\_\_\_\_\_, representing approximately \_\_\_\_\_% of the par value. Such Certificates mature September 1, in each of the years and in the amounts and interest rates shown below:

Maturity (September 1)	Principal Amount*	Interest Rate	Maturity (September 1)	Principal Amount*	Interest Rate
2026	\$ 195,000	%	2036	\$ 915,000	%
2027	315,000	%	2037	960,000	%
2028	620,000	%	2038	1,005,000	%
2029	650,000	%	2039	1,055,000	%
2030	680,000	%	2040	1,110,000	%
2031	715,000	%	2041	1,165,000	%
2032	750,000	%	2042	1,225,000	%
2033	790,000	%	2043	1,285,000	%
2034	830,000	%	2044	1,350,000	%
2035	870,000	%	2045	1,415,000	%

Of the principal maturities set forth in the table above, Term Certificates have been created as indicated in the following table (which may include multiple Term Certificates, one term certificate or no term certificate if none is indicated). For those years which have been combined into Term Certificates, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term certificate maturity date shall mature in such year. The Term Certificates created are as follows:

Term Certificates Maturing September 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		\$	%
		\$	%
		\$	%
		\$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TRUE INTEREST COST \_\_\_\_\_%

The Initial Certificates shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Certificates, be cancelled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

\*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION." Preliminary, subject to change.

A wire transfer or a cashiers or certified check to the City in the amount of \$358,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Certificates in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the City as complete liquidated damages against us, except as otherwise provided in the Notice of Sale.

We agree to accept delivery of the Certificates utilizing the book-entry-only system through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 AM, CDT, on August 19, 2025, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

Upon notification of conditional verbal acceptance, the undersigned will either (1) complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Form 1295") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the City's Bond Counsel at juliahouston@orrick.com or (2) provide written confirmation of its exemption from such requirement to complete a Form 1295. The undersigned understands that, unless exempt, the failure to provide the certified Form 1295 will prohibit the City from awarding the enclosed bid.

The undersigned bidder and each syndicate member listed herein (the "Purchaser") makes the following representations and covenants (the "Covered Verifications") pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Official Bid Form. As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Purchaser within the meaning of Securities and Exchange Commission Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the contract for purchase and sale of the Certificates created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Notice of Sale, notwithstanding anything in this Official Bid Form or the Notice of Sale to the contrary. The term of this Purchase Contract terminates upon the date of delivery of the Certificates or, if earlier, exercise of a termination right (which may not be based on and existing or incipient breach of a verification).

(i) No Boycott of Israel Verification (Texas Government Code Chapter 2271). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) Not a Sanctioned Company (Texas Government Code Chapter 2252). The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) No Boycott of Energy Companies (Texas Government Code Chapter 2276). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

(iv) No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274). The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

By submitting this bid, the bidder understands and agrees that if the bidder should fail or refuse to take up and pay for the Certificates in accordance with this bid, or it is determined that after the acceptance of this bid by the City that the Purchaser was found not to satisfy the requirements described in the Official Notice of Sale under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Certificates, then the check submitted herewith as the bidder's Good Faith Deposit shall be cashed and accepted by the City. IF THE CITY CASHES THE BIDDER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

The Purchaser acknowledges and agrees that the City reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting this bid, the Purchaser represents to the City that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the City may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Certificates unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the delivery date of the Certificates or such other date requested by the City including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter and as described in the Notice of Sale.

The Purchaser acknowledges that the City, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller or the Texas Attorney General of financial companies boycotting energy companies or discriminating against firearm entities.

The Purchaser understands and agrees that to the extent the Purchaser is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the City reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – GOOD FAITH DEPOSIT" in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THIS OFFICIAL BID FORM OF THE PURCHASER TO PURCHASE THE CERTIFICATES UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

The undersigned agrees to complete, execute, and deliver to the City, at least five business days prior to delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City and Bond Counsel.

The undersigned certifies that the Purchaser [is]/[is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

**We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.**

Respectfully submitted,

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Name of Purchaser or Manager

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Authorized Representative

---

Phone Number

---

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by City of Bee Cave, Texas, this the 29<sup>th</sup> day of July, 2025.

ATTEST:

\_\_\_\_\_  
City Secretary  
City of Bee Cave, Texas

\_\_\_\_\_  
Mayor  
City of Bee Cave, Texas

## ISSUE PRICE CERTIFICATE

The undersigned, being a duly authorized representative of the initial purchaser or the manager of the syndicate of underwriters ("Underwriter") which has purchased the Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"), being issued by the City of Bee Cave, Texas (the "Issuer"), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Underwriter's reasonably expected initial offering price of each Maturity of the Certificates (the "Expected Offering Price") to as the Public is set forth in the pricing wire or equivalent communication for the Certificates, as attached to this Issue Price Certificate as Schedule A. The Expected Offering Prices are the prices for the Certificates used by the Underwriter in formulating its bid to purchase the Certificates.

(2) The Underwriter had an equal opportunity to bid to purchase the Certificates and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Underwriter constituted a firm bid to purchase the Certificates.

(4) The Underwriter has made a bona fide offering of all the Certificates of each Maturity to the Public at its Expected Offering Price set forth in Schedule A.

***If less than 3 qualified bids are received from underwriters please attach Schedule B.***

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Certificates, except for Certificates listed on Schedule B (the "Hold-the-Offering-Price Maturities"), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Certificates, the Underwriter has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Certificates of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Certificates during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Certificates listed in Schedule B hereto as the "Hold-the-Offering-Price Maturities."

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Certificates. The Sale Date of the Certificates is July 29, 2025.

(vi) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

(8) Please choose the appropriate statement:

( ) Purchaser will not purchase bond insurance for the Certificates.

( ) Purchaser will purchase bond insurance from \_\_\_\_\_ (the "Insurer") for a fee/premium of \$ \_\_\_\_\_ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Certificates and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Certificates to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Certificates. In determining present value for this purpose, the yield of the Certificates (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Certificates. No portion of the Fee is refundable upon redemption of any of the Certificates in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this \_\_\_\_\_, 2025.

[NAME OF PURCHASER], as Purchaser

By: \_\_\_\_\_

Name: \_\_\_\_\_

\*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION." Preliminary, subject to change.

**SCHEDULE A**

PRICING WIRE OR EQUIVALENT COMMUNICATION  
*(Attached)*

**SCHEDULE B**

**HOLD-THE-OFFERING-PRICE MATURITIES**



## PRELIMINARY OFFICIAL STATEMENT

Dated July 16, 2025

Rating:  
S&P: “AAA”  
(See “OTHER INFORMATION -  
RATING” herein)

### NEW ISSUE – BOOK-ENTRY-ONLY

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.*



**\$17,900,000\***  
**CITY OF BEE CAVE, TEXAS**  
(A political subdivision of the State of Texas located in Travis County)  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

Dated Date: August 19, 2025

Due: September 1, as shown page 2

Interest accrues from the Date of Initial Delivery (defined below)

**PAYMENT TERMS** . . . Interest on the \$17,900,000\* City of Bee Cave, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”) will accrue from the Date of Initial Delivery, will be payable March 1 and September 1 of each year commencing March 1, 2026, until maturity or earlier redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, 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 “THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – PAYING AGENT/REGISTRAR”).

**AUTHORITY FOR ISSUANCE** . . . The Certificates are being issued by the City of Bee Cave, Texas (the “City”) pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City’s Home-Rule Charter, and an ordinance to be adopted by the City Council of the City on July 29, 2025 (the “Ordinance”). The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE CERTIFICATES – AUTHORITY FOR ISSUANCE” and “THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT”). In addition, the Certificates also have a limited pledge of surplus revenues of the City’s library system not to exceed \$1,000.

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) the construction, improvement and equipping of public safety facilities, including the construction of a new public safety facility located generally on Lot 1 Park Place and the purchase of any necessary land and right-of-way in connection therewith, and the purchase of public safety equipment and vehicles; and (ii) the payment of professional services in connection therewith including fiscal, legal and engineering fees and the costs of issuing the Certificates.

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**CUSIP PREFIX:** \_\_\_\_\_  
**MATURITY SCHEDULE**  
**SEE PAGE 2 HEREOF**

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the “Purchaser”) and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”).

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on August 19, 2025 (the “Date of Initial Delivery”).

**BIDS DUE ON TUESDAY, JULY 29, 2025, BY 10:30 AM, CDT**

\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION” in the Notice of Sale and Bidding Instructions (the “Notice of Sale”). Preliminary, subject to change.

**MATURITY SCHEDULE\***

9/1 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers <sup>(1)</sup>
2026	\$ 195,000			
2027	315,000			
2028	620,000			
2029	650,000			
2030	680,000			
2031	715,000			
2032	750,000			
2033	790,000			
2034	830,000			
2035	870,000			
2036	915,000			
2037	960,000			
2038	1,005,000			
2039	1,055,000			
2040	1,110,000			
2041	1,165,000			
2042	1,225,000			
2043	1,285,000			
2044	1,350,000			
2045	1,415,000			

**(Interest Accrues from the Date of Initial Delivery)**

\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION” in the Notice of Sale. Preliminary, subject to change.

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**REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or from time to time 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 (see “THE CERTIFICATES – REDEMPTION PROVISIONS”). Additionally, the Certificates may be subject to mandatory redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as “Term Certificates.”

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*For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission (“Rule 15c2-12”), 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 Rule 15c2-12.*

*This Official Statement, which includes the cover pages and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.*

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

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

*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 JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

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

*NEITHER OF THE CITY, NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.*

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

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

City Council	Length of Service	Term Expires
Kara King Mayor	12 Years	May 2026
Andrew Clark Mayor Pro-Tem	6 Years	May 2027
Kevin Hight Council Member	5 Years	May 2027
Andrea Willott Council Member	6 Years	May 2027
Kit Crumbley Council Member	Newly Elected	May 2027
Blake Sbrocco Council Member	Newly Elected	May 2027

### SELECTED ADMINISTRATIVE STAFF

Name	Position
Julie Oakley	City Manager
Travis Askey	Director of Finance
Jo Ann Touchstone	City Secretary

### CONSULTANTS AND ADVISORS

Auditors ..... Pattillo, Brown & Hill, L.L.P.  
Waco, Texas

Bond Counsel ..... Orrick Herrington & Sutcliffe LLP  
Austin, Texas

Financial Advisor.....Specialized Public Finance Inc.  
Austin, Texas

For additional information regarding the City, please contact:

Travis Askey Director of Finance City of Bee Cave, Texas 4000 Galleria Parkway Bee Cave, Texas 78738 512/767-6600	or	Jennifer Ritter Managing Director Specialized Public Finance Inc. 248 Addie Roy Road, Suite B-103 Austin, Texas 78746 512/275-7300
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## OFFICIAL STATEMENT SUMMARY

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

<b>THE CITY</b> .....	<p>The City of Bee Cave, Texas (the “City”) is a political subdivision located in Travis County, and operating as a home-rule city under the laws of the State of Texas and a charter originally approved by voters in 2013. The City operates under the City Council/Manager form of government where the Mayor and five Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer.</p> <p>The City is approximately 2 square miles in area (see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY”).</p>
<b>THE CERTIFICATES</b> .....	<p>The \$17,900,000* City of Bee Cave, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”) are issued as serial Certificates maturing on September 1 in the years 2026 through and including 2045 unless any maturities are designated as Term Certificates (see “THE CERTIFICATES – GENERAL”).</p>
<b>PAYMENT OF INTEREST</b> .....	<p>Interest on the Certificates will accrue from the Date of Initial Delivery and is payable March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption (see “THE CERTIFICATES – GENERAL”).</p>
<b>AUTHORITY FOR ISSUANCE</b> .....	<p>The Certificates are being issued by the City of Bee Cave, Texas (the “City”) pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City’s Home-Rule Charter, and an ordinance to be adopted by the City Council of the City (the “Ordinance”) on July 29, 2025 authorizing and establishing the terms of sale of the Certificates and finalizing certain characteristics thereof related to final pricing (see “THE CERTIFICATES – AUTHORITY FOR ISSUANCE”).</p>
<b>SECURITY FOR THE CERTIFICATES.</b>	<p>The Certificates constitute direct obligations of the City, payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT”). In addition, the Certificates also have a limited pledge of surplus revenues of the City’s library system not to exceed \$1,000.</p>
<b>REDEMPTION</b> .....	<p>The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2035, in whole or from time to time 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 (see “THE CERTIFICATES – REDEMPTION PROVISIONS”). Additionally, the Certificates may be subject to mandatory sinking fund redemption in the event the Purchaser elects to aggregate two or more consecutive maturities as Term Certificates.</p>
<b>TAX EXEMPTION</b> .....	<p>In the opinion of Orrick, Herrington &amp; Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See “TAX MATTERS” herein.</p>

\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION” in the Notice of Sale. Preliminary, subject to change.

**USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for (i) the construction, improvement and equipping of public safety facilities, including the construction of a new public safety facility located generally on Lot 1 Park Place and the purchase of any necessary land and right-of-way in connection therewith, and the purchase of public safety equipment and vehicles; and (ii) the payment of professional services in connection therewith including fiscal, legal and engineering fees and the costs of issuing the Certificates (see “THE CERTIFICATES – PURPOSE”).

**RATING** ..... The Certificates have been rated “AAA” by S&P Global Ratings (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – RATING”).

**BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, 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 “THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM”).

**PAYMENT RECORD** ..... The City has never defaulted on payment of its debt.

#### SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita	% Total Collections to Date
2021	9,020	\$ 2,507,000,744	\$ 277,938	\$ 5,790,000	0.23%	\$ 642	98.60%
2022	8,890	2,611,616,199	293,770	3,555,000	0.14%	400	97.60%
2023	8,702	3,016,808,678	346,680	2,040,000	0.07%	234	95.80%
2024	8,510	3,290,356,245	386,646	870,000	0.03%	102	92.30%
2025	9,144	3,236,529,561	353,951	18,485,000 <sup>(2)</sup>	0.57%	2,022	97.30% <sup>(3)</sup>

(1) Source: The Municipal Advisory Council of Texas.

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

(3) Partial collections as of June 1, 2025.

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**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO  
\$17,900,000\*  
CITY OF BEE CAVE, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

**INTRODUCTION**

**GENERAL . . .** This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$17,900,000\* City of Bee Cave, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the “Certificates”). The Certificates are being issued pursuant to an ordinance to be approved by the City Council on the date of sale of the Certificates (the “Ordinance”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Bee Cave, Texas (the “City”) and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s financial advisor, Specialized Public Finance Inc., Austin, Texas (the “Financial Advisor”), by electronic mail or upon payment of reasonable copying, handling, and delivery charges. Contact information for the Financial Advisor can be found on page 4 hereof.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 2013. The City operates under the City Council/Manager form of government where the Mayor and five Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The estimated 2025 population is 9,144. The City covers approximately 2 square miles. For more information regarding the City, see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY.”

On November 5, 2024, pursuant to a special election of the City, the qualified voters of the City approved an amendment to the City’s Home-Rule Charter to require voter approval for the City to take any action or pass any ordinance addressing subdivision, significant physical change or alteration, sale, purchase, donation, exchange, or leasing of City property. Purchases of City real property shall not be subject to the requirement to obtain voter approval. Pursuant to the amended Home-Rule Charter, at an election held on May 3, 2025, the qualified voters of the City approved the physical change or alteration of City property, being the construction of a new public safety facility for the purpose of providing police protection to the City. The proceeds of the Bonds will be used, in part, to finance such public safety facility. See “THE CERTIFICATES – PURPOSE.”

**THE CERTIFICATES**

**GENERAL . . .** The Certificates are dated August 19, 2025 and mature on September 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the initial date of delivery to the initial purchaser (the “Date of Initial Delivery”), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing March 1, 2026, until maturity or earlier redemption.

The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein (“Book-Entry-Only-System”). **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (as defined herein) 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.”

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued by the City pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City’s Home-Rule Charter, and the Ordinance.

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\*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMORTIZATION” in the Notice of Sale. Preliminary, subject to change.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates constitute direct obligations of the City, payable from the levy and collection of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance. In addition, the Certificates also have a limited pledge of surplus revenues of the City's library system not to exceed \$1,000.

**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 from time to time 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.

If less than all of the Certificates are to be redeemed, the City may select the maturities and amounts 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 or any other customary random selection method 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.

Additionally, the Certificates may be subject to mandatory sinking fund redemption in the event the Purchaser (as defined herein) elects to aggregate two or more consecutive maturities as Term Certificates.

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption, notice of proposed amendment to an 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 Certificate called for redemption or any other action premised or any such notice.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by an Ordinance have been met and money sufficient to pay the principal of a premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**DTC REDEMPTION PROVISIONS . . .** The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct 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 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 Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption 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 persons for whom DTC Participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

**DEFEASANCE . . .** The Ordinance provides that the City may defease the provisions of the Ordinance and discharge its obligations to the Owners of any or all of the Certificates to pay the principal of and interest thereon in any manner permitted by law, including by depositing with the Paying Agent/Registrar or with the Comptroller of Public Accounts of the State of Texas either: (a) cash in an amount equal to the principal amount of such Certificates plus interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its



equivalent; or (iii) 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, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Ordinance. Upon such deposit, such Certificates shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

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 may 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 of securities used to fund a defeasance escrow will be maintained at any particular rating category.

**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’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates 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 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 regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the

identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI 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).

All 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 the Paying Agent/Registrar, on payable 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 Certificates 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, 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, 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 Direct and Indirect Participants.

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

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

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 neither the City nor the Purchaser take any responsibility for the accuracy thereof.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Certificates are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor, or the Purchaser.

**PAYING AGENT/REGISTRAR . . .** The initial "Paying Agent/Registrar" is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants that at all times while any Certificates are Outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** If the book-entry-only system should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more

than 72 hours after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

**CERTIFICATEHOLDERS’ REMEDIES** . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or, in the event it fails to make payments required to be made into the Debt Service Fund, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, set forth in the Ordinance, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or an Ordinance and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, and 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 Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued,” in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City’s immunity from suit for money damages, holders of Obligations may not be able to bring such a suit against the City for breach of the Obligations or the Ordinances. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson I”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“Wasson II”, and together with Wasson I “Wasson”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State’s immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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).

Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificate holders 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

**AMENDMENTS TO THE ORDINANCE . . .** In the Ordinance, the City has reserved the right, without the consent of any owners, to amend the Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

In addition, the City may, with the consent of Owners who own in the aggregate at least 51% of the principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of Outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (i) the construction, improvement and equipping of public safety facilities, including the construction of a new public safety facility located generally on Lot 1 Park Place and the purchase of any necessary land and right-of-way in connection therewith, and the purchase of public safety equipment and vehicles; and (ii) the payment of professional services in connection therewith including fiscal, legal and engineering fees and the costs of issuing the Certificates.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

**SOURCES:**

Par Amount of Certificates	
Reoffering Premium	
Total Sources	<hr/> <hr/>

**USES:**

Deposit to Construction Fund	
Deposit to Debt Service Fund	
Purchaser's Compensation	
Costs of Issuance	<hr/>
Total Uses	<hr/> <hr/>

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## TAX INFORMATION

*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 I 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 Travis 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. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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% 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. 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 "TAX INFORMATION – CITY AND TAXPAYER REMEDIES."

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value.

**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 appraised 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 the homesteads of persons 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. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted as described in (1) above in tax year 2022 through December 31, 2027. 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.

**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. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the “production of income” from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025 but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

**FREEPORT EXEMPTIONS . . .** Certain goods 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, principally inventory, that are acquired in or imported into the State to be forwarded to another location within or outside the State, and are 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 exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer’s retail 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% 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% to 100% based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, 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 of Texas Tax Code to clarify that “damage” for purposes of this statute is limited to physical damage. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

**TAX INCREMENT FINANCING ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ 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.

**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.

For a discussion of how the various exemptions described above are applied by the City, see “TAX INFORMATION – CITY APPLICATION OF TAX CODE” herein.

**PUBLIC HEARING AND 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 2022 through 2024, which may be applied to a city’s tax rate in tax years 2023 through 2025 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 its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) 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.

**THE 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 \$61,349,201 for the 2025 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 “TAX INFORMATION – PUBLIC HEARING AND 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.

**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. 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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and physically damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

**DEBT TAX RATE LIMITATIONS . . .** 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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

**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. The City’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. 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.

**2025 LEGISLATIVE SESSIONS . . .** The 89th Texas Legislature convened on January 14, 2025 and adjourned on June 2, 2025 (“89th Regular Session”). When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor’s direction, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session are collectively referred to herein as the “2025 Legislative Sessions”). The Governor called a special session which will convene on July 21, 2025. During the 2025 Legislative Sessions, the Legislature may enact laws that materially affect the City and its finances. The City can make no representations or predictions regarding any actions the Legislature may take during the 2025 Legislative Sessions concerning the substance or the effect of any legislation that may be passed during this session or a future session of the Legislature.

**CITY APPLICATION OF TAX CODE . . .** The City grants a freeze to the market value of the residence homestead of persons 65 years of age or older; the disabled are also granted a freeze on their homestead.

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



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

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

The City does not tax nonbusiness personal property.

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

The City does collect the additional three-eighths cent sales tax for economic development.

The City has not adopted a tax abatement policy.

**TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT**

2024/25 Market Valuation Established by the Travis Central Appraisal District (excluding totally exempt property)		\$	3,868,397,772
Less Exemptions/Reductions at 100% Market Value:			631,868,211
2024/25 Taxable Assessed Valuation		\$	3,236,529,561
City Funded Debt Payable from Ad Valorem Taxes (as of 6-1-2025)		\$	870,000
The Certificates			17,900,000 <sup>(1)</sup>
Total Debt Payable from Ad Valorem Taxes		\$	18,770,000
Interest and Sinking Fund (as of 6-1-2025)		\$	282,673
Ratio Tax Supported Debt to Taxable Assessed Valuation			0.58%

2025 Estimated Population - 9,144  
Per Capita Taxable Assessed Valuation - \$353,951  
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,053<sup>(2)</sup>

(1) Preliminary, subject to change.

**TABLE 2 – VALUATION AND AD VALOREM TAX DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Fiscal Year	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2021	9,020	\$ 2,507,000,744	\$ 277,938	\$ 5,790,000	0.23%	\$ 642
2022	8,890	2,611,616,199	293,770	3,555,000	0.14%	400
2023	8,702	3,016,808,678	346,680	2,040,000	0.07%	234
2024	8,510	3,290,356,245	386,646	870,000	0.03%	102
2025	9,144	3,236,529,561	353,951	18,485,000 <sup>(2)</sup>	0.57%	2,022

(1) Source: The Municipal Advisory Council of Texas.

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

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**TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Total Collections
		General Fund	Interest and Sinking Fund		
2021	\$ 0.0200	\$ -	\$ 0.0200	\$ 497,386	98.60%
2022	0.0200	-	0.0200	519,508	97.60%
2023	0.0200	-	0.0200	603,359	95.80%
2024	0.0200	-	0.0200	652,012	92.30%
2025	0.0200	0.0111	0.0089	647,306	97.30% <sup>(1)</sup>

(1) Partial collections as of June 1, 2025.

**TABLE 4 – TEN LARGEST TAXPAYERS**

Name of Taxpayer	2024/25 Taxable Assessed	% of Total Taxable Assessed
	Valuation	Valuation
CSHV HCG Retail LLC	\$ 198,939,388	6.15%
Madrone Cielo Apartments LLC	139,129,263	4.30%
IVT Shops at Galleria	123,755,193	3.82%
AMFP V Bee Cave LLC	73,000,000	2.26%
Avanti Hills LLC	70,226,728	2.17%
Domain Falconhead Apartments	57,350,000	1.77%
WSH 71 TX Partners LLC	55,270,000	1.71%
Spillman Ranch Homes LP	53,720,000	1.66%
Hill Country Texas Galleria LLC	47,346,705	1.46%
CSHV HCG Office LLC	47,346,705	1.46%
	<u>\$ 866,083,982</u>	<u>26.76%</u>

**GENERAL OBLIGATION DEBT LIMITATION** . . . The City has no legal debt limit established by its Home Rule Charter or Ordinance. For a description of limitations on the City’s maximum ad valorem tax rate, see “TAX INFORMATION – DEBT TAX RATE LIMITATIONS.”

**TABLE 5 – TAX ADEQUACY<sup>(1)</sup>**

2025 Principal and Interest Requirements	\$ 292,698
\$0.0094 Tax Rate at 97% Collection Produces	\$ 295,107
Average Annual Principal and Interest Requirements, 2025-2045	\$ 1,427,741
\$0.0455 Tax Rate at 97% Collection Produces	\$ 1,428,442

(1) Includes the Certificates. Preliminary, subject to change. See “TABLE 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT.”

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**TABLE 6 – ESTIMATED OVERLAPPING DEBT**

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt as of 6/30/2025
Eanes Independent School District	\$ 141,460,000	0.56%	\$ 792,176
Lake Travis Independent School District	522,165,000	13.54%	70,701,141
Travis County	1,169,850,000	0.89%	10,411,665
Travis County Bee Cave Road District No. 1	6,735,000	100.00%	6,735,000
Travis County ESD No. 6	705,000	12.95%	91,298
Travis County Healthcare District	157,670,000	0.89%	1,403,263
West Travis MUD No. 8	7,190,000	100.00%	7,190,000
City of Bee Cave	18,770,000 <sup>(1)</sup>	100.00%	18,770,000
Total Direct and Overlapping Tax Supported Debt			\$ 116,094,543
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			3.59%
Per Capita Overlapping Tax Supported Debt			\$ 12,696

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

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## DEBT INFORMATION

**TABLE 7 – PRO-FORMA AD VALOREM TAX DEBT SERVICE REQUIREMENTS**

Fiscal Year	Outstanding Ad Valorem Tax Debt			The Certificates <sup>(1)</sup>			Total Tax- Supported
Ending 9/30	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2025	\$ 285,000	\$ 7,698	\$ 292,698	\$ -	\$ -	\$ -	\$ 292,698
2026	290,000	5,561	295,561	195,000	924,833	1,119,833	1,415,394
2027	295,000	2,980	297,980	315,000	885,250	1,200,250	1,498,230
2028	-	-	-	620,000	869,500	1,489,500	1,489,500
2029	-	-	-	650,000	838,500	1,488,500	1,488,500
2030	-	-	-	680,000	806,000	1,486,000	1,486,000
2031	-	-	-	715,000	772,000	1,487,000	1,487,000
2032	-	-	-	750,000	736,250	1,486,250	1,486,250
2033	-	-	-	790,000	698,750	1,488,750	1,488,750
2034	-	-	-	830,000	659,250	1,489,250	1,489,250
2035	-	-	-	870,000	617,750	1,487,750	1,487,750
2036	-	-	-	915,000	574,250	1,489,250	1,489,250
2037	-	-	-	960,000	528,500	1,488,500	1,488,500
2038	-	-	-	1,005,000	480,500	1,485,500	1,485,500
2039	-	-	-	1,055,000	430,250	1,485,250	1,485,250
2040	-	-	-	1,110,000	377,500	1,487,500	1,487,500
2041	-	-	-	1,165,000	322,000	1,487,000	1,487,000
2042	-	-	-	1,225,000	263,750	1,488,750	1,488,750
2043	-	-	-	1,285,000	202,500	1,487,500	1,487,500
2044	-	-	-	1,350,000	138,250	1,488,250	1,488,250
2045	-	-	-	1,415,000	70,750	1,485,750	1,485,750
	<u>\$ 870,000</u>	<u>\$ 16,238</u>	<u>\$ 886,238</u>	<u>\$ 17,900,000</u>	<u>\$ 11,196,333</u>	<u>\$ 29,096,333</u>	<u>\$ 29,982,571</u>

(1) Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

**ANTICIPATED ISSUANCE OF AD VALOREM TAX DEBT . . .** The City does not anticipate issuing additional general obligation debt within the next twelve months.

**AUTHORIZED BUT UNISSUED DEBT –** None.

**TABLE 8 – INTEREST AND SINKING FUND BUDGET PROJECTION<sup>(1)</sup>**

Estimated General Bond Debt Service Requirements, Fiscal Year Ending 9-30-2025 .....	\$ 292,698
Estimated 2025 Interest and Sinking Fund Tax Levy @ 100% Collection .....	\$ 288,051
2024 Interest and Sinking Fund Balance (as of 9-30-2024) .....	<u>(6,844)</u>
Estimated Balance, 9-30-2025 .....	281,207
	(11,491)

(1) The City will transfer funds from the general fund to cover any shortfalls.

**OTHER OBLIGATIONS . . .** See “Notes to the Financial Statements” in APPENDIX B.

**PENSION FUND . . .** The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see “APPENDIX B – EXCERPTS FROM THE CITY’S ANNUAL FINANCIAL REPORT”.)

# FINANCIAL INFORMATION

**TABLE 9 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
<u>Revenues:</u>					
Sales and Other Taxes	\$ 11,287,442	\$ 11,437,520	\$ 11,605,694	\$ 10,257,103	\$ 8,330,213
Licenses and Permits	702,150	1,146,497	409,652	351,762	593,069
Intergovernmental and Grants	633,912	14,832	3,419	378,112	-
Charges for Services	9,093	5,324	1,177	2,423	2,235
Fines and Forfeitures	712,227	409,029	250,782	331,273	345,946
Investment Earnings	1,084,264	1,684,573	244,859	35,852	295,675
Contributions	13,685	973,438	62	25	22,450
Miscellaneous	3,460	5,656	531	7,514	8,794
Total Revenues	\$ 14,446,233	\$ 15,676,869	\$ 12,516,176	\$ 11,364,064	\$ 9,598,382
<u>Expenditures:</u>					
General Government	\$ 3,434,969	\$ 3,130,113	\$ 2,505,892	\$ 2,972,505	\$ 2,246,528
Public Safety	3,918,261	3,365,304	2,695,915	2,823,419	2,570,304
Planning and Development	1,425,634	1,425,806	999,361	860,216	873,536
Culture and Recreation	1,117,453	1,048,008	891,146	853,222	773,665
Economic Development	1,050,000	50,480	1,163,410	1,590,615	1,315,876
Capital Outlay	318,327	142,760	121,947	142,121	184,974
Debt Service	92,389	54,233	74,948	-	-
Total Expenses	\$ 11,357,033	\$ 9,216,704	\$ 8,452,619	\$ 9,242,098	\$ 7,964,883
Excess (Deficiency) of Revenues over Expenditures	\$ 3,089,200	\$ 6,460,165	\$ 4,063,557	\$ 2,121,966	\$ 1,633,499
Operating Transfers In	\$ 1,050,000	\$ -	\$ -	\$ -	\$ -
Sale of Capital Assets	-	147,700	948,013	2,111,610	-
Capital Lease Issuances	-	127,060	-	-	-
Insurance Recoveries	2,511	10,600	10,941	6,610	9,282
Operating Transfers Out	(2,509,078)	(8,725,704)	(1,818,097)	(1,837,471)	(1,681,771)
Total Other Financing Sources	\$ (1,456,567)	\$ (8,440,344)	\$ (859,143)	\$ 280,749	\$ (1,672,489)
Net Increase (Decrease)	\$ 1,632,633	\$ (1,980,179)	\$ 3,204,414	\$ 2,402,715	\$ (38,990)
Fund Equity at Beginning of Year	17,085,339 <sup>(1)</sup>	19,221,098	16,016,684	13,613,969	13,652,959
Adjustments to Fund Balance	-	-	-	-	-
Fund Equity at End of Year	\$ 18,717,972	\$ 17,240,919	\$ 19,221,098	\$ 16,016,684	\$ 13,613,969

Source: The City's audited financial statements.

(1) Restated.

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**TABLE 10 – MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.0% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

In addition, the Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year.

Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

In addition to the one percent (1%) local sales and use tax referred to above, voters in the City have approved the imposition of an additional one-half percent (½%) sales and use tax for property tax reduction. The following table sets forth the City's historical collections of sales and uses taxes.

Fiscal Year Ended 9/30	Total Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	\$ 9,806,989	1971.71%	\$ 0.3911	\$ 1,087
2022	10,581,237	2036.78%	0.4052	1,190
2023	10,610,419	1758.56%	0.3517	1,219
2024	10,453,500	1603.27%	0.3177	1,228
2025	9,683,754 <sup>(2)</sup>	1496.01%	0.2992	1,059

Source: Texas State Comptroller's Office.

(1) Effective May 31, 2020, the Comptroller amended 34 Texas Administrative Code Section 3.334 to change how sales tax on certain internet and telephone orders are collected. Currently, the City is evaluating the amendments, however, there is the potential for a significant negative impact on total sales tax collected in future years.

(2) Partial collections as of May 31, 2025.

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## INVESTMENTS

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

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . .** Under State 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 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, 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 its successor, or the National Credit Union Share Insurance Fund or its successor; (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, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (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 City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) 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, (c) 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 (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), 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) 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; (12) commercial paper with a stated maturity of 365 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; (13) no-load money market mutual funds registered with and regulated by the SEC 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 comply with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

A political subdivision such as the City may enter into 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 (12) through (14) above, 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 or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the City may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

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 "AAAm" 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.

Under State 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 PFIA. 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 State 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 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 beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or 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 attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) 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 repurchase agreement, (7) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the treasurer, the chief financial officer (if not the treasurer) and the investment officer, 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.



The City's current investment policy is in compliance with the State law requirements described above.

**TABLE 11 – CURRENT INVESTMENTS . . .** As of June 1, 2025, the City's investable funds were invested in the following categories:

<u>Description</u>	<u>Book Value</u>	<u>Percentage</u>
Cash	\$ 776,630	2.45%
Investment Pools	<u>30,957,753</u>	<u>97.55%</u>
TOTAL	<u>\$ 31,734,383</u>	<u>100.00%</u>

As of such date, the market value of the investment portfolio was approximately 100.00% of its book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Certificates is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of Certificates presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Certificates may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

## **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 obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

**ANNUAL REPORTS . . .** The City shall provide annually to the MSRB, within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 11. In addition, the City will provide annually to the MSRB, within 12 months after the end of each fiscal year, financial statements of the District, in form attached to this Official Statement as Appendix B, if audited financial statements of the City are then available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX B hereto or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the Official Statement. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall 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. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this section.

**NOTICE OF CERTAIN EVENTS . . .** The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Certificates: (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 Beneficial Owners of the Certificates, if material; (8) bond 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 District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), 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. Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement or a trustee.

As used above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City 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.

The City intends the words used in (15) and (16) above and the definition of financial obligation in this Section to have the meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

**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.

Financial information and operating data to be provided as set forth above under the subcaption “ANNUAL REPORTS” may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB’s internet web site or filed with the SEC.

Should the Rule be amended to obligate the City to make filing with or provide notices to entities other than the MSRB, the City agrees to undertake such obligation with respect to the Certificates in accordance with the Rule as amended.

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of material 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 of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City from time to time 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, but only if (1) the provisions, as amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretation of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of an Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but 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. 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 AGREEMENTS . . .** The City has not previously made a continuing disclosure agreement.

## LEGAL MATTERS

**LEGAL OPINIONS** . . . Issuance of the Certificates is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Certificates are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property within the City, and a limited pledge of surplus revenues of the City's library system not to exceed \$1,000. Issuance of the Certificates is also subject to the legal opinion of Orrick Herrington & Sutcliffe LLP ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Certificates, to the effect that the Certificates are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described herein under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are based upon a percentage of Certificates actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Certificates.

In its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Bonds in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The various legal opinions to be delivered concurrently with the delivery of the Certificates expresses 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.

**NO-LITIGATION CERTIFICATE** . . . The City will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by the Mayor of the City, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, seeking to restrain or enjoin the issuance or delivery of the Certificates or questioning the issuance or sale of the Certificates, the authority or action of the governing body of the Issuer relating to the issuance or sale of the Certificates, the levy of the tax, or the assessment and collection thereof, to pay the principal of and interest on the Bonds, the collection of the revenues of the City's library system (the "System"), or the imposition of rates and charges with respect to the System, pledged to pay the principal of and interest on the Certificates or that otherwise would have a material adverse effect on the financial affairs of the City or the System to pay the Certificates.

**NO MATERIAL ADVERSE CHANGE** . . . The obligations of the Purchaser to take and pay for the Certificates, and of the City to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

## CYBERSECURITY RISKS

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

## OTHER INFORMATION

**RATING . . .** The Certificates have been rated “AAA” by S&P Global Ratings (“S&P”) without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Certificates.

**LITIGATION . . .** The City is a defendant in various tort claims and lawsuits involving general liability, civil rights actions, and various contractual matters. The City is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency, or other administrative body (either State or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition or operations of the City.

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

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the PFIA, 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 “OTHER INFORMATION – RATING” 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. 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. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

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

**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 within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**INITIAL PURCHASER** . . . After requesting competitive bids for the Certificates, the City accepted the bid of \_\_\_\_\_ (the "Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of approximately \_\_\_\_\_ % of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

**MISCELLANEOUS** . . . The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

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

**CERTIFICATION AS TO OFFICIAL STATEMENT** . . . The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Certificates to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Certificates subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

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Mayor  
City of Bee Cave, Texas

ATTEST:

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City Secretary  
City of Bee Cave, Texas

## **APPENDIX A**

### GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Bee Cave (the “City”) is a beautiful, family-oriented and thriving community at the gateway to the Hill Country between downtown Austin and the lakes. Our mission is to preserve and enhance the quality of life of citizens with a commitment to the highest standards in public and private services. We offer a healthy balance of retail and office business with great residential neighborhoods and an abundance of outdoor recreation. We strive to be unique with a balanced and progressive vision for future development and growth, in an inclusive and environmentally responsible manner. We embrace our Hill Country heritage trading and living with small-town values in an urban sub-rural setting.

## LABOR MARKET PROFILE

Travis County		
	May 2025	May 2024
Total Civilian Labor Force	860,896	843,741
Total Employment	832,727	815,935
Total Unemployment	28,169	27,806
Percent Unemployed	3.3%	3.3%

State of Texas		
	May 2025	May 2024
Total Civilian Labor Force	15,826,370	15,501,676
Total Employment	15,194,230	14,913,510
Total Unemployment	632,140	588,166
Percent Unemployed	4.0%	3.8%

Source: Texas Employment Commission, Austin, Texas

## RECREATION AND TOURISM

The City has five (5) City parks totaling 58 acres which provide a swimming pool, four (4) basketball courts, two (2) large softball fields, four (4) little league size baseball fields, one (1) senior/big league baseball field, two (2) large soccer fields, five (5) covered pavilions, an amphitheater with stage, a one (1) acre fishing lake with covered pier, and numerous covered and uncovered picnic tables with barbecue pits. Three (3) parks have spring fed creeks running through part of the park.

Bee Cave State Park located just outside the City covers 263 acres and includes a swimming pool, camp grounds, a recreation hall and a nine-hole golf course.



**APPENDIX B**

EXCERPTS FROM THE  
CITY OF BEE CAVE, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2024

The information contained in this APPENDIX consists of excerpts from the City of Bee Cave, Texas Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of City Council  
City of Bee Cave, Texas

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Bee Cave, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas, as of September 30, 2024, and the respective changes in financial position 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 of Bee Cave, Texas 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.

#### **Emphasis of Matter – Change of Accounting Principle**

As discussed in Note I to the basic financial statements, during the year ended September 30, 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*-an amendment of GASB Statement No. 62. Our opinions are not modified with respect to this matter.

#### **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 of Bee Cave, Texas' 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.

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## ***Auditor's Responsibility 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 of Bee Cave, Texas' 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 of Bee Cave, Texas' ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bee Cave, Texas' basic financial statements. The combining fund financial statements are presented for the purpose 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. Such 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 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 25, 2025, on our consideration of the City of Bee Cave, Texas' 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 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 of Bee Cave, Texas' internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 25, 2025

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bee Cave, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Bee Cave, Texas for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information in the annual financial report.

### 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 \$91,214,035 (net position). Of this amount, \$24,382,851 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. Net position also reflects \$54,972,426 that is invested in capital assets net of related debt.
- The governmental fund statements report a fund balance at year-end of \$36,773,254; of which \$18,487,285, or 50.3% represents unassigned fund balances.
- The General Fund unassigned fund balance of \$18,494,129 equals 162.8% of total General Fund expenditures.
- The City's total long term liabilities decreased by \$1,234,989 during the current fiscal year, due to principal payments made on long-term debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Bee Cave, Texas' basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplementary information in addition to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The Statement of Net Position and the Statement of Activities presents the City's governmental activities. The City's basic services are reported in the governmental activities, including public safety (police), community services, culture and recreation, and general government. Sales tax, franchise taxes, and licenses and permit fees finance most of these activities.



## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

The City maintains six 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, Capital Projects, Road Maintenance and Economic Development 4-B Sales Tax Fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the General Fund and Economic Development 4-B Sales Tax budget.

### **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

### **Other Information**

In addition to basic financial statements, this report also presents other certain required supplementary information (RSI). These items include a budgetary comparison schedule for the General Fund and the Economic Development 4-B Sales Tax Fund, as well as a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the financial statements within this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred inflows and outflows of resources exceed liabilities by \$91,214,035 as of year-end.

The largest portion of the City's net position (60%) reflects its investments in capital assets (e.g., land, city hall, streets, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if applicable, must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

## Statement of Net Position

The following table reflects the condensed Statement of Net Position:

### CITY OF BEE CAVE'S CONDENSED STATEMENT OF NET POSITION

	Governmental Activities	
	2024	2023
Current and other assets	\$ 40,103,209	\$ 39,726,955
Capital assets, net	<u>55,988,575</u>	<u>53,898,150</u>
Total assets	<u>96,091,784</u>	<u>93,625,105</u>
Deferred outflows of resources	<u>1,042,004</u>	<u>1,145,914</u>
Long-term liabilities	2,565,344	3,800,333
Other liabilities	<u>3,279,433</u>	<u>5,712,648</u>
Total liabilities	<u>5,844,777</u>	<u>9,512,981</u>
Deferred inflows of resources	<u>74,976</u>	<u>52,860</u>
Net position:		
Net investment in capital assets	54,972,426	51,643,238
Restricted	11,858,758	10,760,609
Unrestricted	<u>24,382,851</u>	<u>22,801,331</u>
Total net position	<u>\$ 91,214,035</u>	<u>\$ 85,205,178</u>

A portion of the City's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$24,382,851, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City improved from the prior year, with an increase in net position of \$6,008,857.

## Statement of Activities

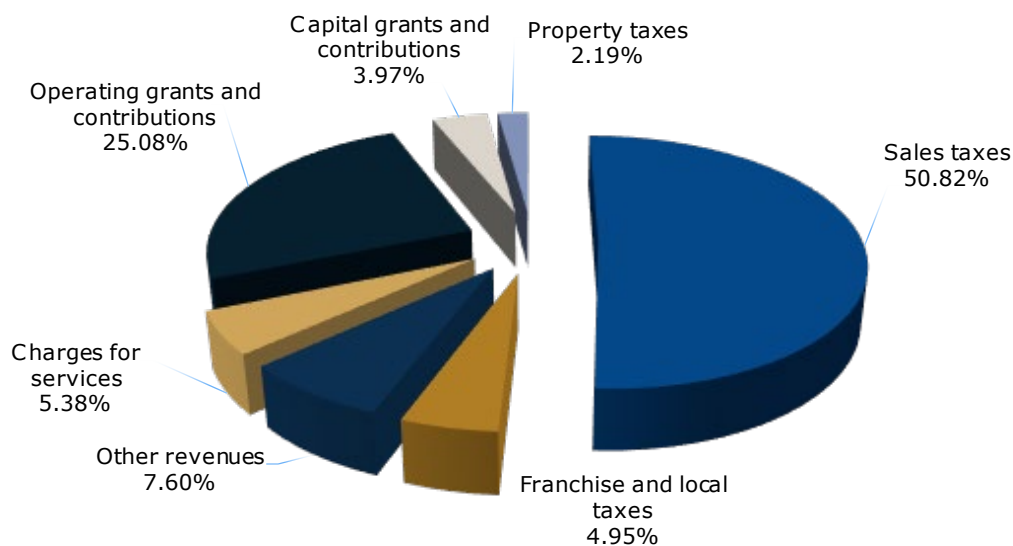
The following table provides a summary of the City's changes in net position:

### CITY OF BEE CAVE'S CONDENSED STATEMENT OF ACTIVITIES

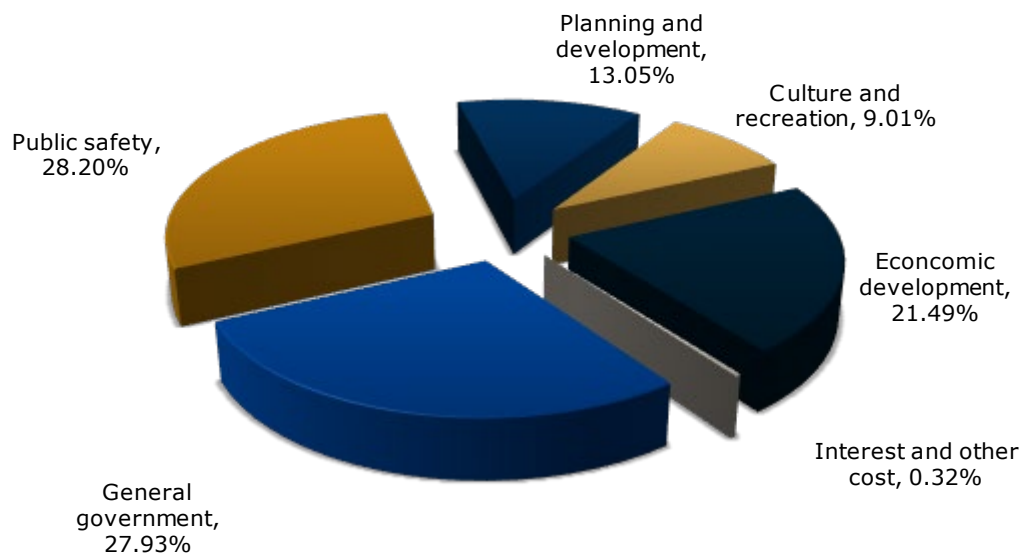
	Governmental Activities	
	2024	2023
Revenues		
Program revenues:		
Charges for services	\$ 1,476,520	\$ 1,248,143
Operating grants and and contributions	199,402	859,382
Capital grants and and contributions	1,089,161	1,651,358
General revenues:		
Property taxes	601,498	578,232
Sales taxes	13,938,000	14,147,226
Franchise and local taxes	1,356,517	1,413,850
Investment earnings	2,065,252	1,684,573
Other	19,654	11,944
Total revenues	<u>20,746,004</u>	<u>21,594,708</u>
Expenses		
General government	4,116,532	4,779,965
Public safety	4,155,516	3,480,532
Planning and development	1,923,661	1,930,464
Culture and recreation	1,327,368	1,222,823
Economic development	3,166,799	1,565,244
Interest and other cost	47,271	112,103
Total expenses	<u>14,737,147</u>	<u>13,091,131</u>
Change in net position	<u>6,008,857</u>	<u>8,503,577</u>
Net position, beginning	<u>85,205,178</u>	<u>76,701,601</u>
Net position, ending	<u>\$ 91,214,035</u>	<u>\$ 85,205,178</u>

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

### Governmental Revenues



### Governmental Expenses



For the year ended September 30, 2024, revenues from governmental activities totaled \$20,746,004, an increase of \$848,704 (4%) compared to the prior year. The majority of this change is due to an increase in revenue from charges for services – fines.

As of the end of the fiscal year, expenses for governmental activities totaled \$14,737,147, which represents a \$1,646,016 increase from 2023. Much of this increase is due to an increase in economic development expenses.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The City's governmental funds reflect a combined fund balance of \$36,773,254. Of this, \$17,991,059 is restricted and committed for various purposes, \$209,079 is assigned for beautification, and \$18,494,129 is unassigned in the General Fund. Of the General Fund's unassigned fund balance \$8,517,775 is maintained in accordance with the City's fund balance policy. The City's fund balance policy is to maintain unassigned fund balance of up to nine months of General Fund operating expenditures. Additionally, the City has set aside sales and use tax revenue reserves for use, if and only if there is a shortfall of sales tax revenue in a specific year in the amount of \$1.5 million.

There was an increase in the combined fund balance of \$3,628,936 in comparison to the prior year, which was primarily the result of a planned increase in fund balance of the General Fund.

The General Fund had revenues which exceeded expenditures by \$3,089,200, and after inter-fund transfers the net change in fund balance was an increase of \$1,632,633. The increase resulted from planned increase of fund balance in the current year.

The Road Maintenance Fund had an increase in fund balance of \$878,074 due to the payoff of bonds in the fiscal year 2022.

The Economic Development 4-B Sales Tax Fund had an increase in fund balance of \$555,820 as a result of the decrease of economic development expenditures.

The Debt Service Fund had a negative fund balance of (\$6,844) at year-end, and the General fund will fund this negative fund balance in a future period.

The Capital Projects Fund had a decrease in fund balance of \$3,810 as a result of the expenditures for capital projects being more than anticipated during the year.

The Court Technology and Security Fund had an increase in fund balance of \$24,002 due to more restricted revenues received than anticipated.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual General Fund revenues were more than budgeted revenues by \$184,636 during the year. This net variance is primarily attributable to sales taxes collected being more than forecasted. General Fund expenditures were more than the amended budget by \$263,476 and after other financing sources and uses, there was a net positive variance of \$78,840 from the amended budget for the year.

### **Capital Assets**

At the end of the year, the City's governmental activities funds had invested, net of depreciation, in a variety of capital assets and infrastructure. Accumulated depreciation is included with the governmental capital assets.

Major capital asset events during the year include professional service costs related to future capital projects such as the public safety facility.

For more detailed information on changes in capital assets, please refer to the notes to the financial statements.

### **Long-term Debt**

At the end of the current year, the City had total long-term debt of \$1,127,085. The debt of the City decreased during the current year due to principal payments being made.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Given the lasting economic impacts on our primary sales tax revenue stream, the City of Bee Cave continues a tradition of exercising a cautious, conservative approach to budget planning and the appropriation for operational revenue and expense. The Bee Cave City Council, through their comprehensive decisions related to fiscal policy, continues to keep property taxes as low as any in the State of Texas. As in prior fiscal years, all City departments continue to conduct their specific operations in a lean, efficient manner. It is a testament to our commitment that we continue to do so without adversely impacting the outstanding service provided to public customers.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City of Bee Cave, Travis Askey, Finance Manager, 4000 Galleria Parkway, Bee Cave, Texas, 78738 or by calling 512.767.6600. You may also visit the City's website at [www.beecavetexas.com](http://www.beecavetexas.com).

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**BASIC  
FINANCIAL STATEMENTS**



**CITY OF BEE CAVE, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 37,435,119
Receivables, net	
Taxes	2,554,748
Accounts	76,258
Due from other governments	37,084
Capital assets:	
Nondepreciable	35,360,754
Depreciable, net	<u>20,627,821</u>
Total capital assets	<u>55,988,575</u>
Total assets	<u>96,091,784</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	1,018,377
Related to other postemployment benefits	<u>23,627</u>
Total deferred outflows of resources	<u>1,042,004</u>
<b>LIABILITIES</b>	
Accounts payable	887,956
Accrued liabilities	274,065
Escrow payable	793,182
Unearned revenue	1,296,147
Interest payable	28,083
Noncurrent liabilities:	
Due within one year:	
Long-term debt	377,317
Due in more than one year:	
Long-term debt	749,768
Net pension liability	1,349,629
Total OPEB liability	<u>88,630</u>
Total liabilities	<u>5,844,777</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	28,558
Related to other postemployment benefits	<u>46,418</u>
Total deferred inflows of resources	<u>74,976</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,972,426
Restricted for:	
Court technology	49,279
Court building and security	130,303
Economic development	9,105,995
Promotion of tourism and hotel industry	2,573,181
Unrestricted	<u>24,382,851</u>
Total net position	<u>\$ 91,214,035</u>

**CITY OF BEE CAVE, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 4,116,532	\$ 16,737	\$ -	\$ 140,578	\$ (3,959,217)
Public safety	4,155,516	755,879	-	948,583	(2,451,054)
Planning and development	1,923,661	702,150	-	-	(1,221,511)
Culture and recreation	1,327,368	1,754	-	-	(1,325,614)
Economic development	3,166,799	-	199,402	-	(2,967,397)
Interest	47,271	-	-	-	(47,271)
Total governmental activities	<u>\$ 14,737,147</u>	<u>\$ 1,476,520</u>	<u>\$ 199,402</u>	<u>\$ 1,089,161</u>	<u>\$ (11,972,064)</u>
General revenues:					
Taxes:					
Property					\$ 601,498
Sales					13,938,000
Franchise fees and local taxes					1,356,517
Investment earnings					2,065,252
Other					<u>19,654</u>
Total general revenues					<u>17,980,921</u>
Change in net position					<u>6,008,857</u>
Net position, beginning					<u>85,205,178</u>
Net position, ending					<u>\$ 91,214,035</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BEE CAVE, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Road Maintenance	Economic Development 4-B Sales Tax
<b>ASSETS</b>			
Cash and investments	\$ 19,691,683	\$ 6,033,077	\$ 8,695,717
Receivables, net:			
Taxes	1,898,527	139,609	418,827
Accounts	76,258	-	-
Due from other governments	-	-	-
Due from other funds	6,844	-	-
Total assets	<u>21,673,312</u>	<u>6,172,686</u>	<u>9,114,544</u>
<b>LIABILITIES</b>			
Accounts payable	523,518	54,066	2,266
Accrued liabilities	266,235	1,083	6,283
Escrow payable	793,182	-	-
Unearned revenues	1,296,147	-	-
Due to other funds	-	-	-
Total liabilities	<u>2,879,082</u>	<u>55,149</u>	<u>8,549</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable - property taxes	-	-	-
Unavailable - court fines	76,258	-	-
Total deferred inflows of resources	<u>76,258</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted for:			
Court building and security	-	-	-
Court technology	-	-	-
Economic development	-	-	9,105,995
Promotion of tourism and hotel industry	-	-	-
Committed for:			
Road maintenance	-	6,117,537	-
Public safety	14,764	-	-
Capital projects	-	-	-
Assigned for:			
Beautification	209,079	-	-
Unassigned	18,494,129	-	-
Total fund balances	<u>18,717,972</u>	<u>6,117,537</u>	<u>9,105,995</u>
Total liabilities, deferred inflows of of resources, and fund balances	<u>\$ 21,673,312</u>	<u>\$ 6,172,686</u>	<u>\$ 9,114,544</u>

Adjustments for the statement of net position:

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

Uncollected revenues are reported as unavailable deferred inflows available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Long-term liabilities, including bonds, leases, tax notes, compensated absences, net pension liability, and total OPEB liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Interest payable  
Net pension liability and related deferred resources  
Total OPEB liability and related deferred resources  
Bonds, tax notes and leases  
Compensated absences  
Net position of governmental activities

Capital Projects	Total Nonmajor Governmental	Total Governmental Funds
\$ 356,853	\$ 2,657,789	\$ 37,435,119
-	97,785	2,554,748
-	-	76,258
37,084	-	37,084
-	-	6,844
<u>393,937</u>	<u>2,755,574</u>	<u>40,110,053</u>
308,106	-	887,956
-	464	274,065
-	-	793,182
-	-	1,296,147
-	6,844	6,844
<u>308,106</u>	<u>7,308</u>	<u>3,258,194</u>
-	2,347	2,347
-	-	76,258
-	2,347	78,605
-	130,303	130,303
-	49,279	49,279
-	-	9,105,995
-	2,573,181	2,573,181
-	-	6,117,537
-	-	14,764
85,831	-	85,831
-	-	209,079
-	(6,844)	18,487,285
<u>85,831</u>	<u>2,745,919</u>	<u>36,773,254</u>
<u>\$ 393,937</u>	<u>\$ 2,755,574</u>	<u>\$ 40,110,053</u>
		\$ 55,988,575
		78,605
		(28,083)
		(359,810)
		(111,421)
		(1,016,149)
		<u>(110,936)</u>
		<u>\$ 91,214,035</u>

**CITY OF BEE CAVE, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Road Maintenance	Economic Development 4-B Sales Tax
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Sales taxes	10,453,500	871,125	2,613,375
Franchise fees and local taxes	833,942	-	-
Licenses and permits	702,150	-	-
Intergovernmental	633,912	140,578	-
Charges for services	9,093	-	-
Fines and forfeitures	712,227	-	-
Investment earnings	1,084,264	323,202	527,427
Contributions	13,685	-	56,000
Miscellaneous	3,460	-	-
Total revenues	<u>14,446,233</u>	<u>1,334,905</u>	<u>3,196,802</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,434,969	280,441	-
Public safety	3,918,261	-	-
Planning and development	1,425,634	-	-
Culture and recreation	1,117,453	-	-
Economic development	1,050,000	-	1,590,982
Capital outlay	318,327	176,390	-
Debt service:			
Principal	68,763	-	-
Interest and other	23,626	-	-
Total expenditures	<u>11,357,033</u>	<u>456,831</u>	<u>1,590,982</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,089,200</u>	<u>878,074</u>	<u>1,605,820</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	2,511	-	-
Transfers in	1,050,000	-	-
Transfers out	(2,509,078)	-	(1,050,000)
Total other financing sources (uses)	<u>(1,456,567)</u>	<u>-</u>	<u>(1,050,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,632,633</u>	<u>878,074</u>	<u>555,820</u>
<b>FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED</b>	17,240,919	5,239,463	8,550,175
<b>ADJUSTMENTS - CHANGE WITHIN FINANCIAL REPORTING ENTITY</b>	<u>(155,580)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING OF YEAR, AS ADJUSTED</b>	<u>17,085,339</u>	<u>5,239,463</u>	<u>8,550,175</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 18,717,972</u>	<u>\$ 6,117,537</u>	<u>\$ 9,105,995</u>

The accompanying notes are an integral  
part of these financial statements.

Debt Service	Capital Projects	Total Nonmajor Governmental	Total Governmental Funds
	\$ -	\$ 601,498	\$ 601,498
	-	-	13,938,000
	-	522,575	1,356,517
	-	-	702,150
	948,583	-	1,723,073
	-	314,040	323,133
	-	42,475	754,702
	-	130,359	2,065,252
	-	40,000	109,685
	-	-	3,460
	<u>948,583</u>	<u>1,650,947</u>	<u>21,577,470</u>
	18,138	18,473	3,752,021
	-	-	3,918,261
	-	-	1,425,634
	70,897	-	1,188,350
	-	525,817	3,166,799
	2,683,485	21,234	3,199,436
	-	1,170,000	1,238,763
	-	38,155	61,781
	<u>2,772,520</u>	<u>1,773,679</u>	<u>17,951,045</u>
	<u>(1,823,937)</u>	<u>(122,732)</u>	<u>3,626,425</u>
	-	-	2,511
	1,909,768	599,310	3,559,078
	-	-	(3,559,078)
	<u>1,909,768</u>	<u>599,310</u>	<u>2,511</u>
	<u>85,831</u>	<u>476,578</u>	<u>3,628,936</u>
503	-	2,113,258	33,144,318
<u>(503)</u>	<u>-</u>	<u>156,083</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>2,269,341</u>	<u>33,144,318</u>
<u>\$ -</u>	<u>\$ 85,831</u>	<u>\$ 2,745,919</u>	<u>\$ 36,773,254</u>

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**CITY OF BEE CAVE, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds	\$ 3,628,936
Amounts reported for governmental activities in the Statement of Activities are different	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	3,199,112
Depreciation expense	(1,108,687)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Fines	10,573
Grants	(844,550)
Certain pension and OPEB expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and (inflows) related to the net pension liability and total OPEB liability were amortized.	
	(151,250)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	21,450
The issuance of long-term debt (e.g., bonds, leases and tax notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds do not report the effect of deferred loss on refunding; whereas, this amount was deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments	1,238,763
Interest payable	<u>14,510</u>
Change in net position of governmental activities	<u>\$ 6,008,857</u>



**CITY OF BEE CAVE, TEXAS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND - CUSTODIAL FUND**

SEPTEMBER 30, 2024

	Backyard PID
<b>ASSETS</b>	
Cash and investments	\$ 783
Total assets	<u>783</u>
<b>LIABILITIES</b>	
	-
<b>NET POSITION</b>	
Restricted for:	
Bond holders and developers	<u>783</u>
Total net position	<u>\$ 783</u>

**CITY OF BEE CAVE, TEXAS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND - CUSTODIAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Backyard PID
<b>ADDITIONS</b>	
Special assessment	\$ 1,208,501
Total additions	<u>1,208,501</u>
<b>DEDUCTIONS</b>	
Payment to trust	<u>1,208,595</u>
Total deductions	<u>1,208,595</u>
<b>NET DECREASE IN FIDUCIARY NET POSITION</b>	<u>(94)</u>
<b>NET POSITION, BEGINNING</b>	<u>877</u>
<b>NET POSITION, ENDING</b>	<u>\$ 783</u>

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## **CITY OF BEE CAVE, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2024

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

The City of Bee Cave, Texas (the "City") currently operates as a Home Rule City. In May, 2014, the citizens of the City adopted a Home Rule Charter changing operations to follow a Council-Manager form of government. The Council-Manager form of government provides for leadership of elected officials in the form of a council and managerial experience of an appointed local government manager. Under its Home Rule Charter, the City operates and provides authorized services to advance the welfare, health, morals, comfort, safety, and convenience of the City and its inhabitants. Prior to May, the City operated as a Type-A general law government under a mayor and City Council form providing services authorized by the Texas Local Government Code.

The City is an independent political subdivision of the State of Texas, governed by an elected Council and a mayor, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Bee Cave Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

##### **Blended Component Unit – Bee Cave Economic Development Corporation**

The Bee Cave Economic Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. The City of Bee Cave formed the Corporation, which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City. Separate financial statements of the Corporation may be obtained from the City.

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, if applicable. Governmental activities are supported by taxes, licenses and permits, and fines and forfeitures. Separate financial statements are provided for governmental funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

## **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus*, which is the *accrual basis of accounting*. Revenue is 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 revenue 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 are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collectible 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 services expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

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

The City has the following major governmental funds:

The **General Fund** is used to account for all financial transactions not properly includable in other funds.

The **Road Maintenance Fund** is used to account for sales tax revenue restricted by enabling legislation and expenditures for road maintenance within the City.

The **Economic Development 4-B Sales Tax Fund** is used to account for the activity of the City's blended component unit. The activity includes sales tax revenue restricted by enabling legislation and expenditures for economic development.

The **Capital Projects Fund** is used to account for the activity related to the purchases of land, repair and construction projects.

Additionally, the City reported the following fiduciary:

The **PID Backyard Custodial Fund** is used to account for the collection and disbursement of the special property assessment on the property within that area of the public improvement district.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

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

#### **D. Assets, Deferred Inflows/Outflows, Liabilities and Net Position or Fund Balance**

##### **Deposits and Investments**

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month's end.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

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

- Obligations of the United States or its agencies and instruments,
- Obligations of State of Texas or its agencies and instrumentalities; and
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

##### **Receivables**

All trade receivables are shown net of an allowance for uncollectible.

Property taxes are levied October 1 of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year. All property values and exempt status, if any, are determined by the Travis County Appraisal District. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

## Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure acquired subsequent to fiscal year 2003 has been capitalized. Buildings and improvements, infrastructure, furniture and equipment are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

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

Vehicles	3 - 5 years
Computers and equipment	3 - 5 years
Furniture and fixtures	7 - 10 years
Infrastructure	30 - 40 years
Buildings and improvements	10 - 40 years
Right to use - equipment	4 - 5 years

## Unearned Revenues

Unearned revenues are reported when cash is received before the related performance or eligibility requirements are met. These relate primarily to the grant funds received in advance for ARPA grants, which will be recognized in future years to the extent that funds are spent. The City also reports unearned revenues for collection of developer escrow deposits.

## 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 government-wide financial statements.

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.

## **Long-term Debt**

In the government-wide financial statements, long-term debt are reported as liabilities in the governmental activities statement of net position. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payments of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as liabilities in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

## **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities to the extent that they mature each period. Accrued compensated absences are reported in the government-wide financial statements when earned. Compensated absences are reported in governmental funds only if they have matured.

## **Pensions**

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

## **Other Post-Employment Benefits**

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

## **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred losses on bond refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.



- Difference in expected and actual pension economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the pension and OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/ or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Difference in expected and actual pension and OPEB plan economic experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Net Position Flow Assumption**

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

### **Fund Balance Flow Assumption**

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

## **Fund Balance Policies**

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

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

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

## **Estimates**

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

## **Adjustments - Change within Financial Reporting Entity**

The City has made a change in its financial reporting structure during the current year. The Court Building Security and Technology activities, which were previously reported within the General Fund, are now being reported separately. This change was made to provide clearer financial reporting and to ensure that resources and expenditures specific to court building security and technology initiatives are appropriately tracked and managed.

The new reporting structure includes two separate non-major governmental funds:

- Court Building Security Fund: This fund accounts for financial resources that are specifically allocated for court security, including personnel, equipment, and operational costs related to maintaining secure courtrooms and facilities.
- Court Technology Fund: This fund is designated for the procurement, maintenance, and operation of technological systems used within the court system, including case management software, digital evidence storage, and other court-related technology infrastructure.

Additionally, the City's Debt Service Fund does not meet the quantitative threshold that would require it to be reported as a major governmental fund in the current year. As a result, the City has reported this fund as a nonmajor governmental fund which was previously reported as a major governmental fund.

## Change in Accounting Principle

During fiscal year 2024, the City adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, which became effective on October 1, 2023. The primary goal of this Statement is to improve the accounting and financial reporting standards for accounting changes and error corrections, providing more understandable, reliable, relevant, consistent, and comparable information for decision-making and assessing accountability. As a result of this adoption, the City clarified the reporting of changes within the reporting entity, as reflected both in the notes to the financial statements and within the financial statements themselves.

## II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### Deposits and Investments

As of September 30, 2024, the City had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
External investment pools:			
TexPool	\$ 5,633	26	AAAm
TexStar	7,456	24	AAAm
LOGIC	12,126,107	48	AAAm
Texas CLASS	<u>25,123,021</u>	13	AAAm
Total	<u>\$ 37,262,217</u>		
Portfolio weighted average maturity		24	

TexPool, TexStar, LOGIC, and Texas CLASS each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

**Interest Rate Risk.** In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment not to exceed two years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act, and investing operating funds primarily in short-term securities or similar government investment pools.

**Credit Risk.** The City's investment policy limits investments in external investment pools rated as to investment quality not less than AAA by a nationally recognized investment rating firm.

**Custodial Credit Risk – Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized to 102 percent by collateral securities. At year-end, market values of the City's pledged securities and FDIC insurance exceeded bank balances.

**Custodial Credit Risk – Investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the Office of the Comptroller of Public Accounts for review. TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The Texas Short-term Reserve Fund ("TexStar") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexStar was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J. P. Morgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. J. P. Morgan Chase Bank and/or its subsidiary, J. P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

Local Government Investment Cooperative ("LOGIC") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas (each a "Governmental Entity") to jointly invest their funds in permitted investments. LOGIC's governing body is a six-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represents the co-administrators of LOGIC. LOGIC has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

The Cooperative Liquid Assets Securities System – Texas ("CLASS") is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Chapter 2256, Texas Government Code. CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the "Agreement") among certain Texas governmental entities investing in the pool (the "Participants"), Municipal Investors Services Corporation ("MBIA-MISC") as program administrator, and Wells Fargo as custodian. CLASS is not SEC-registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996 or by calling (800) 707-6242. CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

## **Receivables**

The following comprise receivable balances at year-end:

	General	Road Maintenance	Economic Development 4-B Sales Tax	Nonmajor Governmental	Total
Receivables:					
Property taxes	\$ 1,929	\$ -	\$ -	\$ 2,422	\$ 4,351
Sales taxes	1,675,309	139,609	418,827	-	2,233,745
Mixed beverage taxes	28,170	-	-	-	28,170
Franchise fees	193,238	-	-	95,438	288,676
Fines and fees	<u>1,525,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,525,164</u>
Gross receivables	3,423,810	139,609	418,827	97,860	4,080,106
Less: allowance for uncollectibles	<u>(1,449,025)</u>	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>(1,449,100)</u>
Total receivables, net	<u>\$ 1,974,785</u>	<u>\$ 139,609</u>	<u>\$ 418,827</u>	<u>\$ 97,785</u>	<u>\$ 2,631,006</u>

## **Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2024, were as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 30,149,495	\$ -	\$ -	\$ 30,149,495
Construction in progress	<u>2,528,088</u>	<u>2,683,171</u>	<u>-</u>	<u>5,211,259</u>
Total assets not being depreciated	<u>32,677,583</u>	<u>2,683,171</u>	<u>-</u>	<u>35,360,754</u>
Capital assets, being depreciated:				
Infrastructure	18,926,470	-	-	18,926,470
Buildings and improvements	15,647,544	-	-	15,647,544
Furniture and equipment	2,458,680	515,941	-	2,974,621
Right to use - equipment	<u>286,756</u>	<u>-</u>	<u>-</u>	<u>286,756</u>
Total capital assets being depreciated	<u>37,319,450</u>	<u>515,941</u>	<u>-</u>	<u>37,835,391</u>
Less accumulated depreciation:				
Infrastructure	(6,704,255)	(474,425)	-	(7,178,680)
Buildings and improvements	(7,040,283)	(377,333)	-	(7,417,616)
Furniture and equipment	(2,290,467)	(199,578)	-	(2,490,045)
Right to use - equipment	<u>(63,878)</u>	<u>(57,351)</u>	<u>-</u>	<u>(121,229)</u>
Total accumulated depreciation	<u>(16,098,883)</u>	<u>(1,108,687)</u>	<u>-</u>	<u>(17,207,570)</u>
Total capital assets being depreciated, net	<u>21,220,567</u>	<u>(592,746)</u>	<u>-</u>	<u>20,627,821</u>
Governmental activities capital assets, net	<u>\$ 53,898,150</u>	<u>\$ 2,090,425</u>	<u>\$ -</u>	<u>\$ 55,988,575</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 327,333
Public safety	181,887
Planning and development	479,101
Culture and recreation	<u>120,366</u>
	<u>\$ 1,108,687</u>

## **Long-term Debt**

The following is a summary of changes in the City's total governmental long-term debt for the year ended. In general, the City uses the General Fund to liquidate compensated absences and leases.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Tax notes- private placement	\$ 2,040,000	\$ -	\$ 1,170,000	\$ 870,000	\$ 285,000
Leases	214,912	-	68,763	146,149	70,130
Compensated absences	<u>132,386</u>	<u>-</u>	<u>21,450</u>	<u>110,936</u>	<u>22,187</u>
Total governmental activities	<u>\$ 2,387,298</u>	<u>\$ -</u>	<u>\$ 1,260,213</u>	<u>\$ 1,127,085</u>	<u>\$ 377,317</u>

## Tax Notes

In January 2021, the City issued \$1,980,000 of tax notes, series 2020, with an interest rate ranging from 0.52% to 1.01%.

Annual debt service to maturity for these tax notes is as follows:

Tax Notes, Series 2020 - Private Placement		
Year Ending September 30,	Principal	Interest
2025	\$ 285,000	\$ 7,698
2026	290,000	5,740
2027	<u>295,000</u>	<u>2,980</u>
Total	<u>\$ 870,000</u>	<u>\$ 16,418</u>

## Leases

The City has five leases for vehicles and copiers. The vehicles have a fixed monthly payment of \$5,306 and the copiers have a fixed monthly payment of \$841, with interest rates ranging from 4.5% to 5.6%. The City's direct borrowings (leases) are secured with equipment as collateral.

A summary of leases outstanding as of September 30, 2024, is as follows:

Leases			
Year Ending September 30,	Principal	Interest	Total
2025	\$ 70,130	\$ 4,732	\$ 74,862
2026	44,699	2,781	47,480
2027	<u>31,320</u>	<u>718</u>	<u>32,038</u>
Total	<u>\$ 146,149</u>	<u>\$ 8,231</u>	<u>\$ 154,380</u>

## Fund Balance

The City's fund balance policy is to maintain unassigned fund balance of up to nine months of General Fund operating expenditures. Nine months of General Fund operating expenditures for fiscal year 2024 is \$8,517,775. If it is determined that the City is below this minimum established fund balance level, the City Council will be informed of this condition and take necessary budgetary steps to increase fund balance.

In addition to the City's fund balance policy above, the City has set aside sales and use tax revenue reserves for use, if and only if there is a shortfall of sales tax revenue in a specific year, in the amount of \$1.5 million. This amount is included in unassigned fund balance.

## Interfund Balances

Interfund balances consisted were as follows:

Due to	Due from	Amount
General Fund	Nonmajor Governmental	\$ 6,844

### **Interfund Transfers**

Interfund transfers for the year were as follows:

Transfers out	Transfers in	Amounts	Purpose
General Fund	Nonmajor	\$ 599,310	To fund debt service payments
General Fund	Capital Projects	1,909,768	To fund certain capital projects
Economic development 4-B	General fund	<u>1,050,000</u>	To fund economic development project
Total		<u>\$ 3,559,078</u>	

## **III. OTHER INFORMATION**

### **Risk Management**

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

### **Contingent Liabilities**

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

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

The City is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

### **Backyard Public Improvement District (PID)**

In October 2020, the City accepted a petition to authorize the creation of a Public Improvement District in accordance with Chapter 372 of the Texas Local Government Code. Project costs will be paid for using current assessments, developer contributions, and a debt issuance with the assessment pledged to service that debt. In accordance with the enabling legislation, City Council has the authority to approve and modify the special assessment, appoint administration, and authorize all debt issuances. In November 2021, Special Assessment Revenue Bonds, Series 2021 were issued in the amount of \$10,508,000 and secured by special assessment revenues of the PID the total bond principal outstanding for these issues is \$10,327,000 at year-end. Proceeds of the bonds were deposited into trust accounts with BOK Financial services for the purpose of funding improvements. P3 Works serves the administrator, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time-to-time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned, or transferred to the trustee. The City has no direct or contingent liability or moral obligation for the payment of this debt, therefore this debt is not recorded as long-term debt of the City.

### **Spanish Oaks Public Improvement District (PID)**

In July 2021, the City accepted a petition to authorize the creation of a Public Improvement District in accordance with Chapter 372 of the Texas Local Government Code. The Spanish Oaks PID was created for the purpose of making improvements to a designated geographic area by levying a special property assessment on the property within that area. Project costs will be paid for using current assessments, developer contributions, and a debt issuance with the assessment pledged to service that debt. In accordance with the enabling legislation, City Council has the authority to approve and modify the special assessment, appoint administration, and authorize all debt issuances.

### **West Travis County Public Utility Agency**

The West Travis County Public Utility Agency (PUA) was created to provide water supply and wastewater treatment services to participants and their customers. The PUA owns the supply and treatment components, conveys services, and operates the system. The participants include the City of Bee Cave, Hays County and West Travis County MUD 5, each of which the participants obligation is to make its proportionate share of annual payments for operating and maintenance expense related to its service area. The PUA issued revenue bonds to provide for capital funding for the expansion and refurbishment of the PUA. These revenue bonds are to be payable from and secured by annual payments made by participating members. During the year, the City of Bee Cave did not pay for operating and maintenance expenses or the PUA's Revenue Bond debt service payments. In future periods, the City anticipates paying an unknown amount for the above mentioned items.

### **Chapter 380 Economic Development Agreement**

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. In August of 2004, the City adopted by ordinance, a comprehensive economic development policy and program for economic development activities.

On April 25, 2023, the City Council took action to approve a Chapter 380 Grant Agreement between Kent Sports Holdings, L.P., TCHMall Sports, the "Developer" and the City of Bee Cave. The agreement between the two parties provides for infrastructure improvements related to the implementation of the adopted Thoroughfare Plan, Capital Improvements Plan, and development of City owned property west of Hill Country Indoor on Bee Cave Parkway. The City has found that providing the economic incentives to the Owners in exchange for the Owners' construction of public infrastructure necessary to serve the Project, the ongoing operation of HCI Sports & Fitness, and future development of adjacent properties will promote local economic development, stimulate business and commercial activity, and will create and retain jobs within the City. During the year the City paid \$1,050,00 to Kent Sports in accordance with this 380 agreement.

The 380 agreement provides for construction of Infrastructure improvements including the extension of Willie Way, a four-lane roadway with a center median, sidewalks, landscaping, and other related facilities. As required for construction of the roadway, the developer will also construct approximately 20,000 square feet of Water Quality and wet amenity ponds for use and enjoyment the general public. Upon completion of the Willie Way Extension, the developer will dedicate the Willie Way Extension and the Water Quality Ponds. Additionally, the developer agrees to provide a Public Access Easement for the benefit of the public over and across Skaggs Drive.

Grant Payments made by the city to the developers are a direct contribution to the construction, financing, and completion of the Infrastructure Improvements totaling \$3,250,000. Payments are made in a timely manner but not later than thirty (30) days following receipt of a request and certification by the developer's design engineer and confirmed by the City Engineer with performance milestones as follows:

- \$150,000 upon Termination of the Offsite Parking Easement
- \$50,000 upon grant of the Public Access Easement
- \$500,000 upon the Effective Date of the Agreement



- \$550,000 at Concept Approval/ Design Sign-Off
- \$1,700,000 paid based on a percentage of completion,
- \$300,000 paid upon Substantial Completion of the Water Quality Ponds

The City has a 380 agreement in regard to another development within the City called the Backyard at Bee Cave, whereby approximately 44 acres of land is developed for retail and related uses. In this agreement, the City pays a percentage of the sales taxes collected from the on-line ticket operation for 20 years to Backyard at Bee Cave, the developer. As of year-end on-line ticket operations have not begun.

### **Texas Municipal Retirement System – Defined Benefit Pension**

**Plan Descriptions.** The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board of Trustees. TMRS is not fiscally dependent on the State of Texas and issues a publicly available annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

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

At retirement, the employee's benefit is calculated on the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest. The retiring employee may select one of seven monthly benefit options. Employees may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2001, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that 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.

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	60/5, 0/25
Updated service credit	100% Repeating Transfers
Retiree cost of living adjustment	0% of CPI

### ***Employees covered by benefit terms***

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

Inactive employees of beneficiaries currently receiving benefits	10
Inactive employees entitles to but not yet receiving benefits	46
Active employees	<u>58</u>
	<u><u>114</u></u>

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contributions rates for the City were 9.58% and 9.71% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$550,694, and were equal to the required contributions.

**Net Pension Liability.** The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### ***Actuarial Assumptions:***

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%

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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 weighing 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

### ***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 10,087,394	\$ 8,748,244	\$ 1,339,150
Changes for the year:			
Service cost	798,801	-	798,801
Interest	700,444	-	700,444
Difference between expected and actual experience	429,452	-	429,452
Change in assumptions	(36,694)	-	(36,694)
Contributions - employer	-	504,785	(504,785)
Contributions - employee	-	368,840	(368,840)
Net investment income	-	1,014,386	(1,014,386)
Benefit payments, including refunds of employee contributions	(219,704)	(219,704)	-
Administrative expense	-	(6,441)	6,441
Other changes	-	(46)	46
Net changes	1,672,299	1,661,820	10,479
Balance at 12/31/2023	<u>\$ 11,759,693</u>	<u>\$ 10,410,064</u>	<u>\$ 1,349,629</u>

For TMRS, the "changes in current period benefits" includes substantively automatic benefit status changes, if applicable.

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 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	\$ 3,299,481	\$ 1,349,629	\$ (228,617)

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [trms.com](http://trms.com)

**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 \$686,915. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 383,102	\$ -
Changes of assumptions	-	28,558
Net difference between projected and actual earnings	209,320	-
Contributions subsequent to the measurement date	<u>425,955</u>	<u>-</u>
Totals	<u>\$ 1,018,377</u>	<u>\$ 28,558</u>

\$425,955 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2025	\$ 179,031
2026	173,609
2027	251,587
2028	(40,363)

### **Defined Other Post-Employment Benefit Plans**

#### **TMRS Supplemental Death Benefits Fund**

**Plan Description.** The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Benefits Provided.** The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>58</u>
Total	<u><u>79</u></u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.23% for 2023 and 2024, of which 0.03% represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2024 and 2023 were \$1,238 and \$2,051, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**Actuarial Assumptions.** The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	3.77%
Projected salary increases	3.60% to 11.85% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table. Mortality rates for service retirees were based on a fully generational basis with scale UMP from the 2019 Municipal Retirees of Texas Mortality Tables. The same mortality tables with a 4 year set-forward for males and a 3 year set-forward for females were used to determine mortality rates for disabled retirees. 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.

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

**Discount Rate.** The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both active and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.77% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2023.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the total OPEB liability.

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 111,530	\$ 88,630	\$ 71,666

**OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB.** The City's total OPEB liability of \$88,630 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2024, the City recognized OPEB expense of \$6,492. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2022	\$ 73,885
Changes for the year:	
Service cost	6,323
Interest	3,088
Difference between expected and actual experience	2,427
Changes of assumptions and other inputs	4,488
Benefit payments	(1,581)
Net changes	14,745
Balance at 12/31/2023	\$ 88,630

Changes in assumptions and other inputs reflect a change in the discount rate.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,078	\$ 8,370
Changes of assumptions	20,692	38,048
Contributions subsequent to the measurement date	857	-
Totals	\$ 23,627	\$ 46,418

\$857 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2024	\$ (3,222)
2025	(3,281)
2026	(4,054)
2027	(5,701)
2028	(6,104)
Thereafter	(1,286)

**Deficit Fund Balance**

As of year end the City had a deficit fund balance of \$6,844 in the Debt Service Fund. This deficit will be covered with transfers from the General Fund.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**



**CITY OF BEE CAVE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Sales taxes	\$ 10,500,000	\$ 10,474,224	\$ 10,453,500	\$ (20,724)
Franchise fees and local taxes	729,000	844,835	833,942	(10,893)
Licenses and permits	376,000	683,025	702,150	19,125
Intergovernmental	-	633,912	633,912	-
Charges for services	1,500	8,939	9,093	154
Fines and forfeitures	277,500	522,087	712,227	190,140
Investment earnings	1,250,000	1,090,225	1,084,264	(5,961)
Contributions	-	850	13,685	12,835
Miscellaneous	10,000	3,500	3,460	(40)
Total revenues	13,144,000	14,261,597	14,446,233	184,636
<b>EXPENDITURES</b>				
Current:				
General government	2,864,890	3,288,573	3,434,969	(146,396)
Public safety	3,500,996	3,874,078	3,918,261	(44,183)
Planning and development	1,466,627	1,346,828	1,425,634	(78,806)
Culture and recreation	1,150,372	1,122,986	1,117,453	5,533
Economic development	1,250,000	1,050,000	1,050,000	-
Capital outlay	80,000	313,118	318,327	(5,209)
Debt service:				
Principal	66,254	74,348	68,763	5,585
Interest	23,626	23,626	23,626	-
Total expenditures	10,402,765	11,093,557	11,357,033	(263,476)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	2,741,235	3,168,040	3,089,200	(78,840)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	2,511	2,511	-
Transfers in	1,250,000	1,050,000	1,050,000	-
Transfers out	(556,722)	(2,509,078)	(2,509,078)	-
Total other financing sources (uses)	693,278	(1,456,567)	(1,456,567)	-
<b>NET CHANGE IN FUND BALANCES</b>	3,434,513	1,711,473	1,632,633	(78,840)
<b>FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED</b>	17,240,919	17,240,919	17,240,919	-
<b>ADJUSTMENTS - CHANGE WITHIN FINANCIAL REPORTING ENTITY</b>	-	-	(155,580)	(155,580)
<b>FUND BALANCES, BEGINNING OF YEAR, AS ADJUSTED</b>	17,240,919	17,240,919	17,085,339	(155,580)
<b>FUND BALANCES, END OF YEAR</b>	\$ 20,675,432	\$ 18,952,392	\$ 18,717,972	\$ (234,420)

**CITY OF BEE CAVE, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

ECONOMIC DEVELOPMENT 4-B SALES TAX

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Sales taxes	\$ 2,625,000	\$ 2,618,557	\$ 2,613,375	\$ (5,182)
Investment earnings	-	530,396	527,427	(2,969)
Contributions	-	56,000	56,000	-
Total revenues	<u>2,625,000</u>	<u>3,204,953</u>	<u>3,196,802</u>	<u>(8,151)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development	1,093,738	1,594,081	1,590,982	3,099
Capital outlay	<u>3,070,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,164,238</u>	<u>1,594,081</u>	<u>1,590,982</u>	<u>3,099</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(1,539,238)</u>	<u>1,610,872</u>	<u>1,605,820</u>	<u>(5,052)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,250,000)</u>	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,250,000)</u>	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,789,238)</u>	<u>560,872</u>	<u>555,820</u>	<u>(5,052)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>8,550,175</u>	<u>8,550,175</u>	<u>8,550,175</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,760,937</u>	<u>\$ 9,111,047</u>	<u>\$ 9,105,995</u>	<u>\$ (5,052)</u>

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION



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Austin, TX 78701  
+1 512 582 6950  
orrick.com

**DRAFT**

\_\_\_\_\_, 2025

City of Bee Cave, Texas  
Combination Tax and Revenue Certificates of Obligation, Series 2025

Ladies and Gentlemen:

We have acted as bond counsel to the City of Bee Cave, Texas (the “Issuer”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of certificates designated as “City of Bee Cave, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025” (the “Certificates”), dated August 19, 2025. The Certificates are authorized by an ordinance adopted by the City Council of the Issuer on July 29, 2025 (the “Ordinance”) authorizing the issuance of the Certificates. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Certificates, including the Ordinance, the tax certificate of the Issuer dated the date hereof (the “Tax Certificate”), certificates of the Issuer, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Certificates on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Certificates on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery of each such document by each party thereto other than Issuer and that each such document constitutes a valid and binding agreement of such party. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted



or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Issuer in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions thereof; and the Certificates have been authorized and delivered in accordance with law.
2. The Certificates are payable, both as to principal and interest, from the receipts of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the Issuer, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates, and a limited pledge of surplus net revenues of the Issuer's library system, not to exceed \$1,000.
3. Interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Certificates is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Certificates included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding



other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates.

Very truly yours,