

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 6, 2023**

**NEW ISSUE - BOOK-ENTRY ONLY**

**Moody's "Baa3"**  
**(See "BOND INSURANCE", "BOND**  
**INSURANCE RISK FACTORS", and**  
**"MUNICIPAL BOND RATING" herein.)**

*In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.*

***The Bonds will be designated as "Qualified Tax-exempt Obligations" for financial institutions.***

**\$3,940,000\***

**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
***(A political subdivision of the State of Texas located within Bexar County)***  
**LIMITED AD VALOREM TAX AND SUBORDINATE LIEN SALES**  
**AND USE TAX ROAD BONDS, SERIES 2023**

**Dated:** November 15, 2023 (interest to accrue from Date of Delivery)

**Due:** August 15 as shown on page ii  
**CUSIP:** See page ii

The above captioned Bonds when issued, will constitute valid and legally binding special obligations of the Westside 211 Special Improvement District (the "District"), and will be payable from the proceeds of an annual ad valorem tax, within legal limitations as described herein, levied against all taxable property within the District and a subordinate pledge of the proceeds of a sales and use tax (the "Sales and Use Tax"), within legal limitations as described herein levied by the District.

**THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. (See "RISK FACTORS.") NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE OF TEXAS; BEXAR COUNTY, TEXAS (the "County"); THE CITY OF SAN ANTONIO, TEXAS (the "City"); NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS. (See "THE DISTRICT — General" and "THE DISTRICT — Bexar County Commissioners Court's and the County's Limited Involvement with the Issuance of the Bonds," and "MANAGEMENT.")**

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of initial delivery, and is payable each February 15 and August 15, commencing February 15, 2024 until maturity or prior redemption. Interest will be payable on the basis of a 360-day calendar year of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as described herein. (See "THE BONDS — Redemption Provisions.")

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical certificates representing their beneficial interests in the Bonds. See "APPENDIX D — Book-Entry-Only System."

The Bonds are issued pursuant to the constitution and general laws of the State of Texas, including particularly Article III, Section 52 Texas Constitution, Chapter 382, Texas Local Government Code, as amended, an election held on November 6, 2007, and a resolution to be adopted by the District's Board of Directors on November 16, 2023 (the "Resolution"). (See "THE BONDS — Authority for Issuance.")

Proceeds from the sale of the Bonds will be used (i) for paying the District's share of a road improvement project that is comprised of improvements to State Highway 211/FM 1957 (Potranco Road) (as further described herein), (ii) to reimburse the Developers for public road projects and right of way acquisition costs, including interest, and (iii) to pay the costs associated with the issuance of the Bonds.

The District has made application to a municipal bond insurance company to have the payment of the principal of and interest on the Bonds insured by a municipal bond guaranty policy (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS").

See page ii for the maturity schedules, interest rates, initial yields, CUSIP numbers, and redemption provisions.

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended, in reliance upon certain exemptions provided thereunder, or the securities laws of any other jurisdiction.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELATING TO AN INVESTMENT IN THE BONDS. THE BONDS INVOLVE A SUBSTANTIAL DEGREE OF RISK, AND PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT, INCLUDING IN PARTICULAR THE SECTIONS ENTITLED "SECURITY FOR THE BONDS" AND "RISK FACTORS." PROSPECTIVE PURCHASERS SHOULD CAREFULLY EVALUATE THE RISKS AND MERITS OF INVESTMENT IN THE BONDS, SHOULD CONFER WITH THEIR LEGAL AND FINANCIAL ADVISORS, AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF INVESTMENT IN THE BONDS BEFORE CONSIDERING A PURCHASE OF THE BONDS.**

*The Bonds are offered by the Underwriter named below, subject to prior sale, when, as, and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval by the Attorney General of Texas and the opinions of Allen Boone Humphries Robinson LLP, Bond Counsel and Davidson Troilo Ream & Garza, P.C., General Counsel and Winstead PC, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Locke Lord, LLP, Dallas, Texas, counsel to the Underwriter. Delivery of the Bonds through DTC is expected on or about November 30, 2023.*

**FMSBONDS, INC.**

\* Preliminary; subject to change.

**\$3,940,000\***  
**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
**LIMITED AD VALOREM TAX AND SUBORDINATE LIEN SALES AND USE TAX ROAD BONDS,**  
**SERIES 2023**

**MATURITY SCHEDULE, INTEREST RATES,**  
**INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS**

CUSIP Prefix: 96145J <sup>(1)</sup>

<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix <sup>(1)</sup></u>	<u>Maturity (August 15)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
\$ 120,000				2039	\$ 125,000			
65,000				2040	135,000			
70,000				2041	145,000			
70,000				2042	150,000			
75,000				2043	155,000			
80,000				2044	170,000			
80,000				2045	170,000			
85,000				2046	185,000			
90,000				2047	190,000			
90,000				2048	205,000			
100,000				2049	215,000			
105,000				2050	225,000			
105,000				2051	245,000			
115,000				2052	255,000			
120,000								

**(Interest accrues from the date of initial delivery to the Underwriter)**

- (1) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

*Optional Redemption:* The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption Provisions – *Optional Redemption*”).

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\* Preliminary; subject to change.

**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT  
BOARD OF DIRECTORS\***

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Occupation</u>
Charles Wender	Chair	June 1, 2021	Real Estate
Ronnie Urbanczyk	Secretary	June 1, 2022	Business Owner
Harry Ben Adams	Director	June 1, 2022	Executive
York Duncan	Director	June 1, 2021	Self-Employed
Harold Frank Galm, Jr.	Director	June 1, 2020	Real Estate
Carlo Enrique Gutierrez	Director	June 1, 2022	Land Developer/Realtor
Frank Moreno	Director	June 1, 2022	Self-Employed

\* The directors are appointed by the Bexar County Commissioners Court (the "Court") to staggered two-year terms expiring on June 1<sup>st</sup> of each respective expiration year. To be eligible for appointment as a director, a person must be at least 18 years old. Once the District reaches a population of 1,000, such person must also reside in the District and either (1) own property in the District, (2) own stock of a corporate owner of property in the District, (3) own a beneficial interest in a trust that owns property in the District, or (4) be an agent, employee or tenant of (1)-(3) above. Pursuant to Article 16, Section 17, Texas Constitution, the current directors will continue to serve until replaced by the Court, notwithstanding the expiration of their stated terms.

**PROFESSIONAL CONSULTANTS**

Hilltop Securities Inc., San Antonio and Dallas, Texas	<i>Financial Advisor</i>
FMSbonds, Inc.	<i>Underwriter</i>
Davidson, Troilo, Ream & Garza P.C., San Antonio, Texas	<i>General Counsel</i>
Winstead PC, San Antonio, Texas	<i>Disclosure Counsel</i>
Allen Boone Humphries Robinson LLP, Houston, Texas	<i>Bond Counsel</i>
Garza/Gonzales & Associates, San Antonio, Texas	<i>Independent Auditor</i>
BOKF, NA, Dallas, Texas	<i>Paying Agent/Registrar</i>

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## GENERAL INFORMATION

*FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("RULE 15C2-12"), AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY OFFICIAL STATEMENT, THIS DOCUMENT CONSTITUTES AN "OFFICIAL STATEMENT" OF THE DISTRICT WITH RESPECT TO THE BONDS THAT HAS BEEN DEEMED "FINAL" BY THE DISTRICT AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.*

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer or solicitation. The information in this Official Statement is current only as of the date on its cover and may change after that date. The Underwriter is not responsible for the accuracy or completeness of this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In making an investment decision, prospective investors must rely on their examination of the qualifications of the District (defined hereafter) and the strength of each of its contractual relationships with other third parties; and the terms of the offering, including the merits and risks involved. No dealer, broker, salesperson, or other person has been authorized by the District, the Underwriter, or any of their respective affiliates, to give any information or to make any representations with respect to the Bonds or the District other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

All of the summaries of the statutes, resolutions, orders, contracts, financial statements, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Davidson Troilo Ream & Garza, P.C., General Counsel to the District, 601 NW Loop 410, Suite 100, San Antonio, Texas 78216, or the District's Financial Advisor, Hilltop Securities Inc., 70 NE Loop 410, Suite 710, San Antonio, Texas 78216, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT— Updating the Official Statement."

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

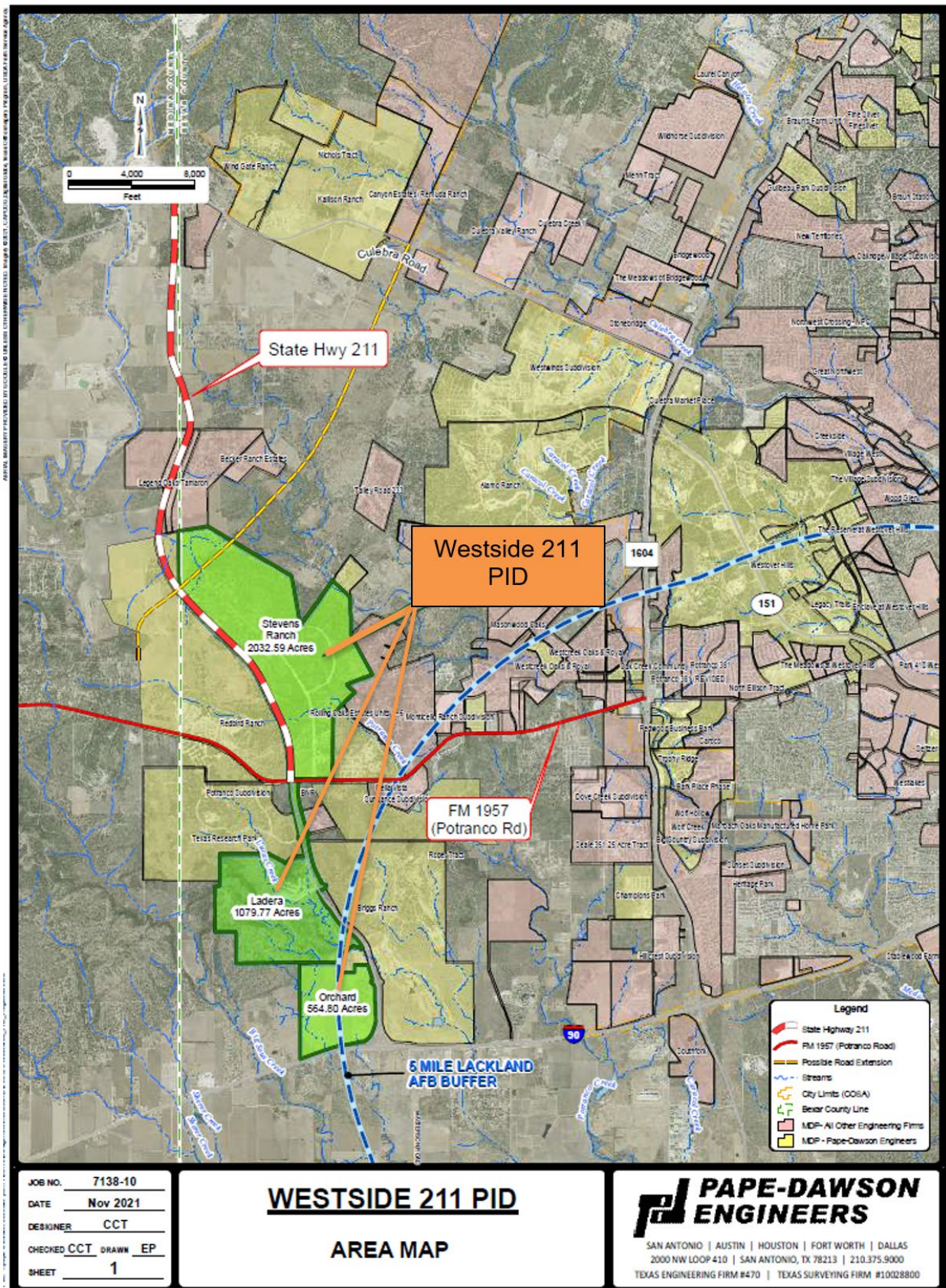


FIGURE 1— DISTRICT LOCATION (“1”)

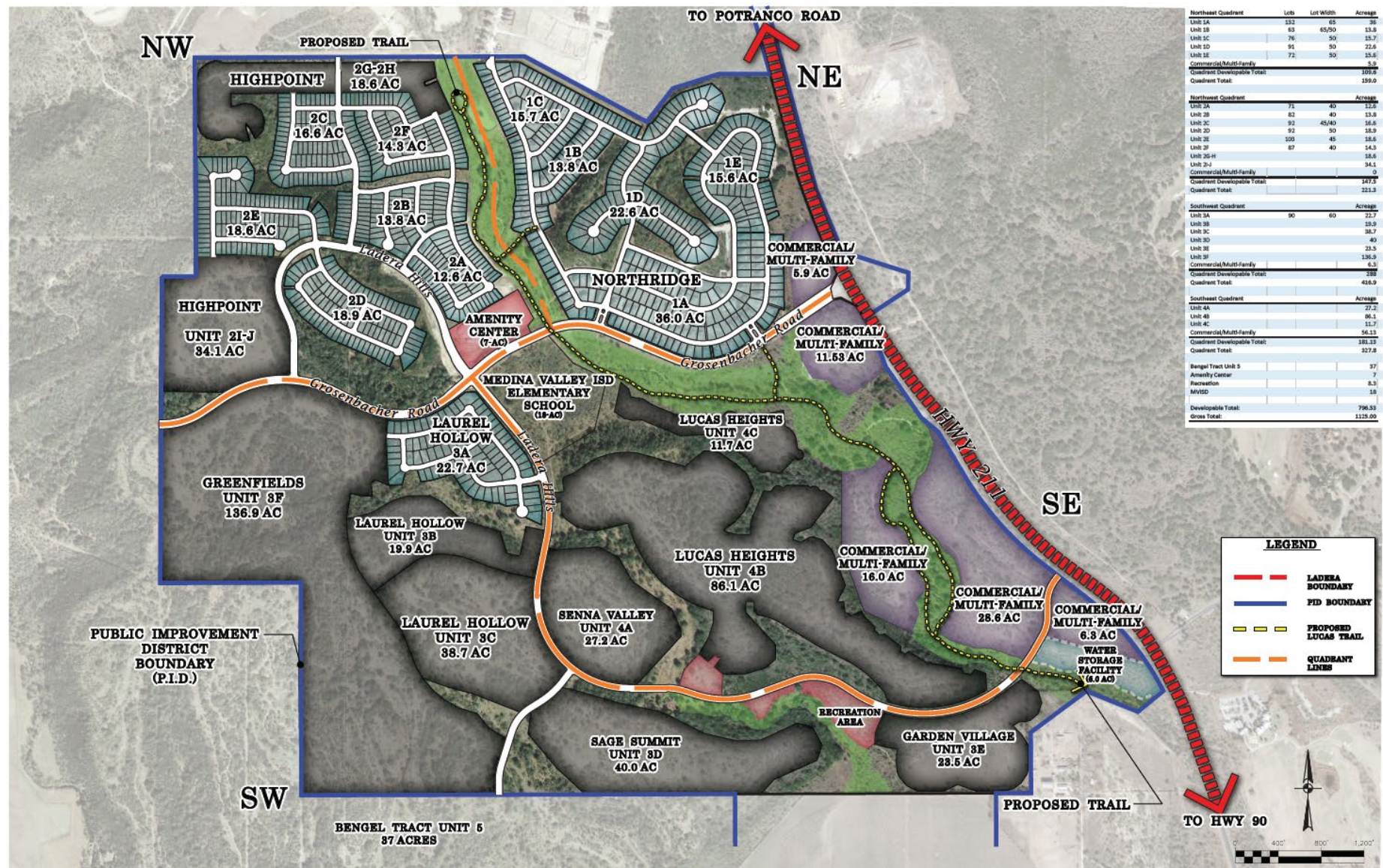


FIGURE 2 — LADERA MASTER PLAN

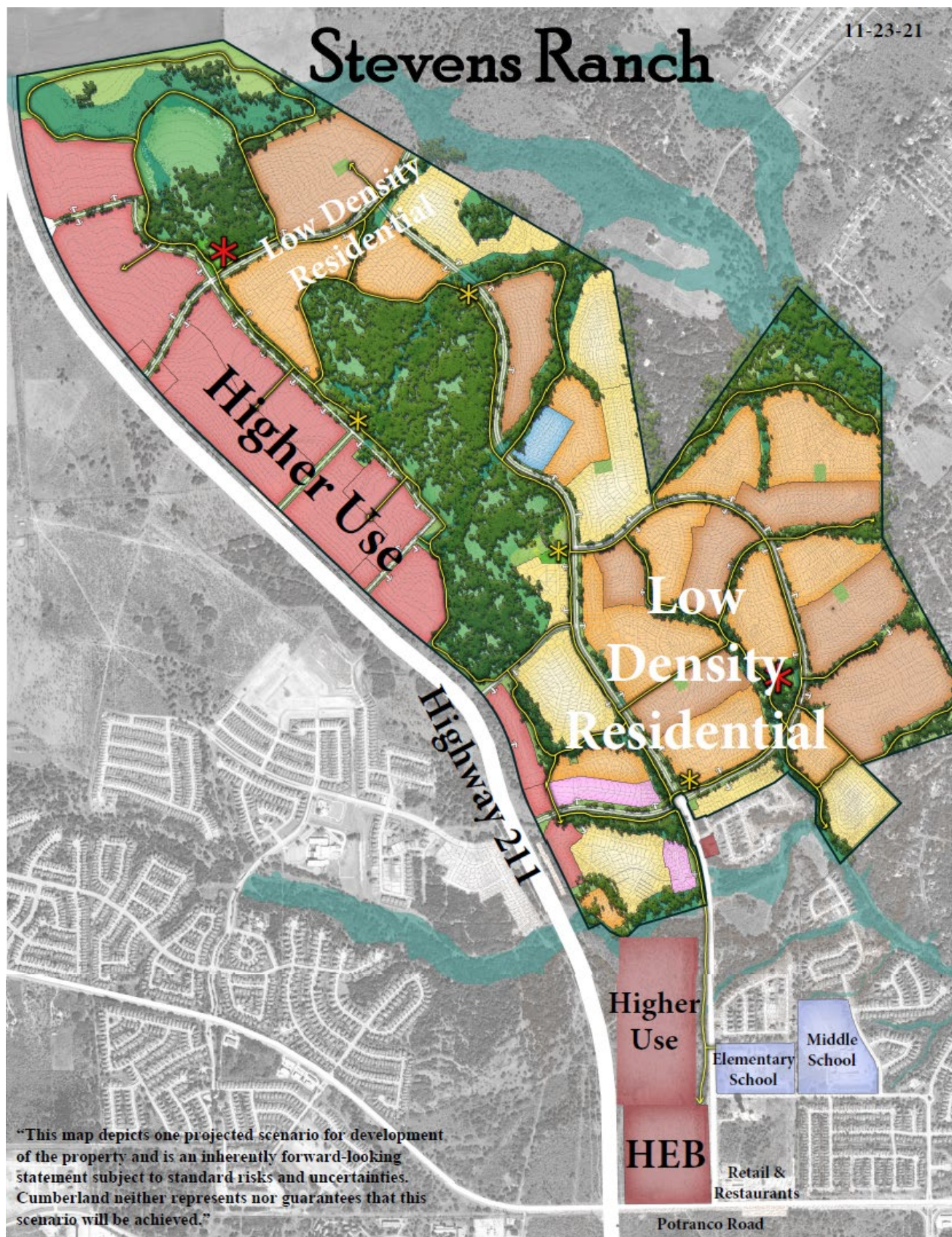


FIGURE 3 — STEVENS RANCH MASTER PLAN



FIGURE 4 — ORCHARD MASTER PLAN

# SELECTED FINANCIAL INFORMATION (UNAUDITED)

2022/2023 Certified Net Taxable Assessed Valuation	\$ 255,039,661 <sup>(1)</sup>
2023/2024 Certified Net Taxable Assessed Valuation	\$ 330,103,720 <sup>(2)</sup>
Direct Ad Valorem Tax Debt Outstanding	\$ 20,145,000 <sup>(3)</sup>
Estimated Overlapping Debt	29,766,465
Direct Ad Valorem Tax Debt Outstanding and Estimated Overlapping Debt	<u>\$ 49,911,465</u>
Ratio of Gross Direct Ad Valorem Tax Debt to:	
2023/2024 Net Taxable Assessed Valuation	6.10% <sup>(3)</sup>
Ratio of Gross Direct Ad Valorem Tax Debt and Overlapping Debt to:	
2023/2024 Net Taxable Assessed Valuation	15.12% <sup>(3)</sup>
Average Annual Debt Service Requirements (2024-2052)	\$ 1,187,817 <sup>(3)</sup>
Maximum Annual Debt Service Requirements (2044)	\$ 1,190,594 <sup>(3)</sup>
Tax Rate Required to Pay Average Annual Debt Service (2024-2052) at a Collection Rate of: 99.89%	
Based Upon 2023/2024 Net Taxable Assessed Valuation	\$0.3602/\$100 A.V. <sup>(3)</sup>
Tax Rate Required to Pay Maximum Annual Debt Service (2044) at a Collection Rate of: 99.89%	
Based Upon 2023/2024 Net Taxable Assessed Valuation	\$0.3611/\$100 A.V. <sup>(3)</sup>
Interest and Sinking Fund Balance as of September 30, 2023	\$ 177,628 <sup>(4)</sup>
General Fund Balance as of September 30, 2023	\$ 3,234,632 <sup>(4)</sup>
2023/2024 District Tax Rate (per \$100 Assessed Valuation)	
Debt Service	\$ 0.36106
Maintenance and Operations	0.18053
Total Tax Rate	<u>\$ 0.54159</u>

(1) As certified by the Bexar County Appraisal District as of July 23, 2022.

(2) As certified by the Bexar County Appraisal District as of July 22, 2023.

(3) Includes the Bonds. *Preliminary; subject to change.*

(4) Unaudited.

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**PRELIMINARY OFFICIAL STATEMENT**  
**\$3,940,000\***  
**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
*(A political subdivision of the State of Texas located within Bexar County, Texas)*  
**LIMITED AD VALOREM TAX AND SUBORDINATE LIEN SALES**  
**AND USE TAX ROAD BONDS, SERIES 2023**

This Official Statement provides certain information in connection with the issuance by Westside 211 Special Improvement District (the “District”) of its \$3,940,000\* Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas (sometimes referred to herein as the “State”), and Article III, Section 52, Texas Constitution, Chapter 382, Texas Local Government Code, as amended (“Chapter 382”), a resolution by the District authorizing the issuance of the Bonds (the “Resolution”) to be adopted by the Board of Directors of the District on November 16, 2023 (the “Board”) and the Election (as defined herein).

The District is a conservation and reclamation district created by an order (the “Bexar County Order”) of the Commissioner’s Court of Bexar County (the “Court”) on August 30, 2007, pursuant to Chapter 382, and a confirmation election for the District, held on November 6, 2007, which approved its powers and taxing authority (the “Election”). The District consists of over 3,600 acres of land located in Bexar County, Texas (the “County”). The District is located approximately 20 miles west of the central downtown business district of the City of San Antonio, Texas (the “City”) in the extraterritorial jurisdiction of the City. Access to the District is made by Interstate Highway 35 (“IH-35”) to Loop 1604 to Potranco Road. See “THE DISTRICT” herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the District’s undertaking to provide certain information on a continuing basis.

This Official Statement includes descriptions, among others, of the Bonds, the Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Davidson Troilo Ream & Garza P.C., General Counsel to the District, 7550 WH-IH10, San Antonio, Texas 78229, and the District’s Financial Advisor, Hilltop Securities Inc., 70 NE Loop 410, Suite 710, San Antonio, Texas 78216, upon payment of the cost of duplication.

### **RISK FACTORS**

Purchase of the Bonds involves a substantial degree of risk and the Bonds are a speculative investment. Given these risks, a purchaser of the Bonds should be capable of suffering a loss of the entirety of its investment represented by the Bonds. Set forth below are certain specific risk factors associated with an investment in the Bonds that should be carefully considered by prospective investors. The following enumeration of risk factors is not intended to be, and is not, exhaustive. Additional considerations are discussed throughout this Official Statement, and inclusion under the heading, “RISK FACTORS” should not be intended to signify any such factors are more or less significant than those discussed elsewhere in this Official Statement. Prospective investors should carefully consider the following factors relating to the District, the hotel industry, and the security for the Bonds, in addition to the other information contained in this Official Statement, before purchasing the Bonds.

#### **Limited Obligations of the District**

The Bonds are obligations of the District and are not obligations of the State, the County, the City, or any other political entity other than the District. The Bonds will be secured by a limited continuing, direct, annual ad valorem tax, within legal limitations described herein, levied on all taxable property within the District and a subordinate pledge of the proceeds of a sales and use tax (the “Sales and Use Tax”), within legal limitations as described herein levied by the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. In addition, the District reserves the right to use revenues from the District’s Hotel Occupancy Tax when and if levied and collected to pay debt service on the Bonds. The District is authorized to levy a Sales and Use Tax of 2.0% on all taxable transactions within the District. However, the District Sales and Use Tax levy is 1.5%. An additional 0.5% levied by the VIA Metropolitan Transit Authority (“VIA”). Such sales and use tax levied by VIA is not available for payment of debt service on the Bonds. There are currently no hotels in the District. See “RISK FACTORS – Limited Tax” and “THE BONDS – Source of Payment.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE, THE COUNTY, THE CITY; NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS.

#### **Limited Tax**

Pursuant to the Bexar County Order, the rate of ad valorem taxes which the District may levy in any year for all purposes is limited to the lesser of the rate levied by the City for all purposes (\$0.54159 per \$100 valuation for fiscal year 2024) (the “City Rate”) or \$0.5785 per \$100 valuation. After issuance of the Bonds, the average annual debt service requirement for all outstanding ad valorem tax bonds of the District is \$1,187,817\* (2024 through 2052), and the maximum annual debt service requirement for all outstanding ad valorem tax bonds of the District is \$1,190,594\* (2044). Assuming no increase or decrease from the 2023/2024 certified taxable assessed valuation of the District of \$330,103,720 a tax rate of \$0.3611\* per \$100 assessed valuation at an average of the last three years of actual collection rates (i.e., 99.89%) would be necessary to pay the maximum annual debt service requirement. The District can make no representations regarding the future level of assessed valuation within the District, whether the

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\* Preliminary; subject to change.

City Rate will continue to decline, or property owners' ability or willingness to pay their taxes or any future amount of the City Rate. Any increase in taxable values depends on the continuing construction and sale of homes and other taxable improvements within the District. See "RISK FACTORS – Litigation Amongst Developers" herein. Further, to the extent the District were to sustain a significant reduction in assessed value of property in the District, the District would not be able to increase tax rates beyond the above-described limits in order to increase property tax revenues and would affect the ability of the District to make debt service payments on the Bonds. Also, the District has no control over future reductions in the City Rate, and there is no guarantee the City Rate will not decline in future years. See "TAX DATA" herein.

**The District's maximum authorized ad valorem tax rate for all purposes is limited to the lesser of the City Rate or \$0.5785 per \$100 valuation. The maximum authorized ad valorem tax rate for the District for the current fiscal year is \$0.54159.**

### **Dependence upon Significant Taxpayers**

The District will be dependent on the timely payment of taxes by principal taxpayers in the District. Currently, the top three principal taxpayers are: HEB Grocery Company, Cumberland Potranco Joint Venture, and Lennar Homes of Texas Lane & Construction LTD. These principal taxpayers own property with a taxable assessed valuation of \$52,732,964 or 15.97% of the 2023 Certified Taxable Assessed Valuation of \$330,103,720 which represents ownership as of January 1, 2023. The ability of any significant taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its debt service obligations. Further, the District would not be able to increase its ad valorem tax levy to support its debt obligations beyond or in excess of the City Rate. Additionally, the District has not covenanted in the Resolution, nor is it required by Texas law, to maintain any particular balance in its Road Debt Service Fund (defined herein) or any other funds to allow for delinquencies. The District cannot guarantee the timely payment of taxes by any taxpayer nor can the District predict the future financial condition of the principal taxpayers and the likelihood that taxes will be paid in a timely manner.

### **Litigation Amongst Developers**

On December 31, 2020, the Cumberland entities filed suit against certain partners and lenders, alleging breaches of fiduciary duty in connection with refusing to release liens so Cumberland can sell land for development in the District. Defendants deny wrongdoing and have asserted counterclaims for relief including judicial foreclosure of Cumberland's assets. Other Cumberland investors have since intervened in the lawsuit, and the matter involves many parties asserting various claims, counterclaims, and crossclaims. **This litigation may negatively impact land sales and the development of taxable improvements within the District, impairing the expected future tax revenue growth in the District.** The case is styled *Cumberland Pod 1 Stevens Residential, Ltd., et al. v. Doss, Ltd., et al.*, Cause No. 2020CI24876, pending in the 45th Judicial District Court, Bexar County, Texas.

On October 17, 2022 a Joint Notice of Settlement (the "Notice") between the parties was filed notifying the Court that no trial was needed on November 7, 2022 and that certain settlement documents were being drafted and required to be executed by December 31, 2022. The Notice further provides that the parties will file dismissals of their claims against each other with prejudice pursuant to the settlement agreement. The parties have initiated an arbitration proceeding regarding disputes arising out of the settlement agreement among them. A final arbitration hearing is set for November 9, 2023 where the parties will resolve all disputes and a final arbitration award will be granted.

### **Factors Affecting Taxable Values and Tax Payments**

*Economic Factors:* The stability and/or growth of taxable values in the District is directly related to the vitality of the housing and commercial real estate industries in the area around the District, including the San Antonio metropolitan area (the "San Antonio Area"). The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, employment levels, and general economic conditions. In recent years, the San Antonio Area has experienced strong economic growth positively affecting local residential development and construction industries. The San Antonio Area, including the County, has been one of the highest growth areas in the country.

A portion of the taxable values of the District is derived from the current market value of certain developed lots and undeveloped tracts. The market value of such lots and tracts is related to general economic conditions affecting the demand for single family, multi-family, commercial, retail, and office space. Demand for lots and tracts of this type and the construction of single family, multi-family residential dwellings, and/or commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such lots and tracts is directed. Decreased levels of construction activity or reduced resale value of such lots and tracts would tend to restrict the growth of property values in the District or could adversely impact such values.

Future development and construction in the District is highly dependent on the availability of financing. Many lenders have become more selective in making real estate loans in the San Antonio Area. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds to potential builders and home purchasers.

*Credit Markets and Liquidity in the Financial Markets:* Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located close to the central downtown business district of the City, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the San Antonio Area regional economy and national credit and financial markets. A downturn in the economic conditions of San Antonio Area and a further decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

*Competition:* The demand for and construction of single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in the northern portion of the San Antonio Area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the San Antonio Area. Such homes could represent additional competition for new homes proposed to be sold within the District.

## **Effect Of The Financial Institutions Act Of 1989 On Tax Collections Of The District**

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation (“FDIC”) when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC is subject to foreclosure or sale without the consent of the FDIC and no involuntary liens may attach to such property, (ii) the FDIC or RTC will not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value will be determined as the period for which such tax is imposed.

Certain federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney’s fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

### **Tax Collection Limitations and Foreclosure Remedies**

The District’s ability to make debt service payments would be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming, and expensive collection procedures, (b) a bankruptcy court’s stay of enforcement of liens for post-petition taxes against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. (See “AD VALOREM TAXING PROCEDURES — District’s Rights in the Event of Tax Delinquencies.”)

### **Registered Owners’ Remedies and Bankruptcy Limitations**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District and the District’s officials to observe and perform covenants, obligations, or conditions proscribed in the Resolution. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. There is no provision for acceleration of maturity on the principal of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Based on recent Texas court decisions, it is unclear whether certain legislation effectively waives governmental immunity of governmental entities for suits for money damages. (See “THE BONDS — Remedies in Event of Default.”) Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners’ claims against a district.

### **Continuing Compliance with Certain Covenants**

The Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. (See “TAX MATTERS.”)

### **Uncertain Market Value**

The market value of the Bonds may be affected by a variety of factors including, without limitation, general market conditions, the financial condition and business operations of the District, and federal and State income tax and other laws. The market value of the Bonds on the Delivery Date could be greater or less than the agreed-upon purchase price therefor by the Underwriter, and the difference could be substantial. Neither the District nor the Underwriter make any representation as to the market value of the Bonds as of or after the Delivery Date.

### **Continuing Disclosure Obligations**

In connection with the issuance of the Bonds, the District has agreed in the Resolution to provide certain annual financial information and operating data pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (“Rule 15c2-12”). Failure to comply with such continuing

disclosure undertaking or Rule 15c2-12 may adversely affect the value or liquidity of the Bonds and their market price in the secondary market. (See “CONTINUING DISCLOSURE OF INFORMATION.”)

### **Changes in Tax Legislation**

The 88th Texas Legislative Session convened on January 10, 2023 and concluded on May 29, 2023. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

The Governor called a special session on May 29, 2023 setting a priority to pass legislation related to property tax relief; the first special session concluded on June 27, 2023. The Governor also called a second special session which convened on June 27, 2023 and adjourned on July 13, 2023. The Governor’s agenda for the second special session included “legislation to cut property-tax rates solely by reducing the school district maximum compressed tax rate in order to provide lasting property-tax relief for Texas taxpayers” and “legislation to put Texas on a pathway to eliminating school district maintenance and operations property taxes.” During the second special session, the Legislature passed Senate Bill 2 (“2023 SB 2”), which was signed into law on July 24, 2023. 2023 SB2 includes provisions that, among other things, increase the school district mandatory homestead exemption from \$40,000 to \$100,000 (subject to voter approval), prohibit cities, school districts and counties that adopted a local option homestead exemption for the 2022 tax year from reducing the amount of or repealing such exemption through December 31, 2027, and place further limitations on increases in appraised values on certain classes of properties. Certain provisions of 2023 SB 2, including those increasing the residential homestead exemption to \$100,000, prohibiting the reduction or repeal of the local option homestead exemption, and placing limitations on increasing the appraised values on certain classes of properties, will be submitted to voters of the State on November 7, 2023. If the amendments are not approved by the voters, those and certain other provisions of 2023 SB 2 have no effect.

The Texas Governor may call future special legislative sessions, which could further effect ad valorem tax matters, election measures, or other matters that could adversely affect the marketability of the Bonds. The District makes no representation on any matters the Texas Legislature may take or the effect of any such actions. See “AD VALOREM TAXING PROCEDURES – Property Tax Code and County-Wide Appraisal District”.

## **PLAN OF FINANCE**

### **The Bonds**

Proceeds from the sale of the Bonds will be used (i) for paying the District’s share of a road improvement project that is comprised of improvements to State Highway 211/FM 1957 (Potranco Road) (as further described below), (ii) to reimburse the Developers (as defined herein) for certain public road projects and right of way acquisition costs, including interest, and (iii) to pay the costs associated with the issuance of the Bonds.

### **The Road Project and the Pass-Through Financing Agreement**

The County entered into a pass-through financing agreement with Texas Department of Transportation (“TxDOT”) (the “Pass-Through Financing Agreement”) whereby the County will finance and construct the widening of FM 1957 (Potranco Road) from Loop 1604 to SH 211; and the construction of SH 211 from FM 1957 to FM 471 representing a distance of approximately 4.7 miles (the “Road Project”). The improvements include expanding Potranco Road from a two-lane road (one lane each way) to a four-lane road (two lanes each way) and a raised center median. SH 211 from FM 1957 to FM 471 will be constructed as a two lane road section with the ultimate development as a fully constructed access facility with frontage roads. The improvements will enhance regional mobility by providing for an enhanced connection between two western relief routes of SH 211 and Loop 1604. Improvements to Potranco Road were completed in July 2019 and the improvements to SH 211 were completed on November 10, 2022.

Under the terms of the Pass-Through Financing Agreement between TxDOT and the County, TxDOT shall reimburse the County by paying a semi-annual amount equal to \$0.04 for each vehicle-mile travelled on FM 1957 Potranco Road and SH 211 during the previous year. The annual reimbursement shall be no less than \$2,780,000 and no more than \$5,560,000. The total reimbursement by TxDOT to the County shall not exceed \$55,600,000.

The number of vehicles traveled on the Road Project during a year will be based upon actual data, to the extent such data is available, or TxDOT traffic estimates, which shall be performed in good faith, are conclusive, and are not subject to litigation in any forum.

To date, the County has issued bonds for the completion of the Potranco Road portion of the Road Project in the amount of \$40,840,000 (the “County Bonds”) of which \$37,440,000 is outstanding after application of the pass-through payments and SH 211 portion of the Road Project in the amount of \$14,940,000 of which \$14,940,000 is outstanding after application of the pass-through payments. The County has used its remaining budgeted funds for the right of way acquisition for the Road Project (approximately \$450,000). See “– Road Financing Agreement” below. The County principal payments are payable from TxDOT payments pursuant to the Pass-Through Financing Agreement.

The County commenced development activities with respect to the Road Project in November 2012 and had project completion on November 10, 2022. TxDOT’s obligations to pay amounts owed under the terms of pass-through toll agreements are currently payable from the State Highway Fund and are subject to appropriation by the Legislature of sufficient funds to discharge the obligations of TxDOT.

### **Road Financing Agreement**

Pursuant to the State Highway 211/FM1957 (Potranco Road) Financing Agreement, dated July 13, 2010 between the County and the District (the “Road Financing Agreement”), the District and the County agreed to share in the construction, improvement and financing of the Road Project. The District agreed to acquire right of way associated with the Road Project and complete design requirements and secure the environmental permitting required for the Road Project; the District has satisfied all such obligations. The District also agreed to pay certain costs associated with the construction of the Road Project (“PID Cost Allocation of the Road Project”). PID Cost Allocation of the Road Project is an amount equal to all interest costs, reserve fund deposits, and cost of issuance associated with the County Bonds, and any additional bonds issued for the completion of the Road Project, and any principal amounts that exceed TxDOT payments (pursuant to the Pass-Through Financing Agreement described above);

provided however, the District shall have no obligation to pay any principal amount in excess of \$73,220,000 or the interest on any amounts in excess of \$45,387,437.

Under the Road Financing Agreement, the disbursement of the PID Cost Allocation of the Road Improvement Project to the County will be in the following priority:

1. First, to pay the County interest on the County Bonds payable each year, beginning June 15, 2021;
2. Second, to pay the County any unpaid interest on the County Bonds for prior years in which the PID's available revenues were insufficient to make such interest payments; and any interest accrued on such unpaid amounts at the rate of the County's Bonds;
3. Third, to pay the County any principal amounts of the County Bonds that exceed the TxDOT payment; and
4. Fourth to pay the County any additional reimbursement costs, indemnity obligations or enforcement costs as described in the Road Financing Agreement.

The District's obligations under the Road Financing Agreement will continue on an annual basis for so long as the County Bonds (and any additional Bonds that the County may issue for the Road Projects) are outstanding, and any reimbursement costs, indemnity obligation or enforcement costs under the Road Financing Agreement are due the County. A portion of the proceeds of the Bonds will be used to pay approximately \$2,288,100 of the PID Cost Allocation of the Road Project.

In the Road Financing Agreement, the District has pledged its limited ad valorem taxes and sales and use taxes (and bond proceeds as available) (together, the "Available Revenues") to the obligations in the Road Financing Agreement. The District has pledged its limited ad valorem taxes to the payment of the Bonds on a priority basis with a subordinate pledge of the District's sales and use taxes to the payment of the Bonds. See "THE BONDS – Source of Payment".

The District's Available Revenues shall be applied in the following order pursuant to the Road Financing Agreement:

- (a) First, to the Administrative Expenses of the District, initially not to exceed \$150,000.00 without the approval of the County, and as set forth in its annual budget approved by the County and submitted to the County within 30 days of approval by the Board. The limitation on Administrative Expenses shall be reset annually upon approval of an annual budget by the Board and the County;
  - (b) Next, to the payment of any debt service on outstanding District bond issues (including the Bonds and Outstanding Bonds);
  - (c) Next, to the County, the PID Cost Allocation of the Road Project;
  - (d) Next, to the County, for Reimbursement Costs and/or Enforcement Costs;
  - (e) Next, to any indemnity obligation, including any final and unappealable judgment rendered by a court of competent jurisdiction;
- and
- (f) Next, to owners of land within the District pursuant to the Public Improvement Financing Agreement between the landowners in the District and the District.

Proceeds from the Bonds will also be used to reimburse the Developers for certain public improvement costs and right of way acquisition costs, including interest. See "THE DISTRICT – Public Improvement Financing Agreement."

#### **SOURCES OF FUNDS<sup>(1)</sup>**

Par Amount of Bonds	\$ 3,940,000
Net Premium	3,727
<b>TOTAL SOURCES OF FUNDS</b>	<b><u>\$ 3,943,727</u></b>

#### **USES OF FUNDS<sup>(1)</sup>**

<b>PID Cost Allocation of Road Project to County</b>	\$ 2,288,100
<b>Reimbursements and Developer Interest</b>	1,291,971
<b>Non-Construction Costs</b>	
Costs of Issuance	324,256
Underwriter's Discount	39,400
<b>Total Non-Construction Costs</b>	<b><u>\$ 363,656</u></b>
<b>TOTAL USES OF FUNDS</b>	<b><u>\$ 3,943,727</u></b>

<sup>(1)</sup> Preliminary; subject to change.

## THE BONDS

### Description

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Resolution. The Resolution authorizes the issuance and sale of the Bonds and governs the terms, conditions and provisions for the payment of the principal and interest on the Bonds.

The Bonds are dated November 15, 2023, with interest accruing from the date of initial delivery, and payable on February 15, 2024, and on each February 15 and August 15 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are serial bonds maturing on August 15 of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable upon presentation of the Bonds at the principal payment office of BOKF, NA (the “Paying Agent/Registrar”). Interest calculations are based upon a 360-day year comprised of twelve 30-day months.

The principal of the Bonds will be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar. If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed on or before the Interest Payment Date, by the Paying Agent/Registrar to the Registered Owners on the Record Date (described below under “THE BONDS — Record Date for Interest Payment”), or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner, to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. Registered Owner (“Registered Owner”) means any person who is the registered owner of any outstanding Bond as described in the Resolution.

If the date for payment of the principal of or interest on any Bond is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding business day, as defined in the Resolution.

### Book-Entry System

The Bonds initially will be registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the Bonds. The Bonds will be available to purchasers only in book-entry form. For as long as Cede & Co. is the exclusive registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Registrar to DTC, which will be responsible for making such payments to its participants. Purchasers will not receive certificates representing their beneficial interests in the Bonds. In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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 Resolution will be given only to DTC. (See “APPENDIX D - “Book-Entry-Only System.”)

### Authority for Issuance

Pursuant to Chapter 382, Texas Local Government Code (formerly Chapter 372, Subchapter C, Texas Local Government Code), the District held the Election, where the following propositions were approved as canvassed by the District on November 6, 2007:

<u>Proposition</u>	<u>Purpose</u>
I	Confirmation of the creation of the District.
II	Hotel Occupancy Taxes at a rate not to exceed the rate levied by the City or 9% and authorization to use the proceeds of the Hotel Occupancy Tax (“HOT”) to secure funds for making economic development loans or grants and for operation and maintenance purposes, including, but not limited to funds for planning, constructing, acquiring, maintaining, leasing, repairing, and operating all necessary land, plants, works, facilities, improvements, appliances, and equipment of the District, and for paying costs of services, engineering, and legal fees, and organization and administrative expenses and for any corporate purpose, all as authorized by the Constitution and the laws of the State of Texas.
III	Sales and Use Tax not to exceed 2% and authorization to use the proceeds of the Sales and Use Tax to secure funds for making economic development loans or grants and for operation and maintenance purposes, including, but not limited to funds for planning, constructing, acquiring, maintaining, leasing, repairing, and operating all necessary land, plants, works, facilities, improvements, appliances, and equipment of the District, and for paying costs of services, engineering, and legal fees, and organization and administrative expenses and for any corporate purpose, all as authorized by the Constitution and the laws of the State of Texas.
IV	Ad Valorem Tax not to exceed \$0.5785 per \$100 valuation and authorization to use the proceeds of the ad valorem tax to secure funds for making economic development loans or grants and for operation and maintenance purposes, including, but not limited to funds for planning, constructing, acquiring, maintaining, leasing, repairing, and operating all necessary land, plants, works, facilities, improvements, appliances, and equipment of the District, and for paying costs of services, engineering, and legal fees, and organization and administrative expenses and for any corporate purpose, all as authorized by the Constitution and the laws of the State of Texas.
V	Authorization to enter into Economic Development or Grant Agreements with Developer(s) and pledges of all or part of the Hotel Occupancy Taxes, Sales and Use Taxes, and Ad Valorem Taxes collected by the District for a term of up to 30 years to induce a developer or developers to promote economic development in the District.
VI	\$180,000,000 bonds for road purposes and refunding purposes and the levy of taxes to pay the bonds, authorized pursuant to Article 3, Section 52, Texas Constitution.

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| VII  | \$50,000,000 bonds for utility system purposes and refunding purposes and the levy of taxes to pay the bonds, authorized pursuant to Article 16, Section 59, Texas Constitution.   |
| VIII | \$60,000,000 bonds for flood plain and wetlands regulation and endangered species and stormwater permits and refunding purposes and the levy of taxes to pay the bonds, authorized pursuant to Article 16, Section 59, Texas Constitution. |
| IX   | \$50,000,000 bonds for funding economic development or grant agreements and refunding purposes and the levy of taxes to pay the bonds, authorized pursuant to Article 3, Section 52-a, Texas Constitution.                                 |

**The maximum authorized ad valorem tax rate for all purposes pursuant to the Bexar County Order creating the District and the Election is limited to the lesser of the City Rate or \$0.5785 per \$100 valuation. The City Rate for Fiscal Year 2024 is \$0.54159 per \$100 valuation but there is no guarantee that such rate will not decline in future years. But in any event, the District rate would be limited to the lesser of the City Rate or \$0.5785 per \$100 valuation.**

Before the Bonds can be issued, the Attorney General must pass upon the legality of certain related matters. In its review of the financing, the Attorney General's office requires that political subdivisions must show that the applicable political subdivision can issue its ad valorem tax debt using only a portion of its maximum authorized rate for debt service (the "Bond Allowable Rate"). In the case of the District, the District must show that it can issue ad valorem tax debt allowing only up to two-thirds of its maximum tax rate authorized by law.

Further, the Texas Attorney General's office has taken the position that the Texas Constitution does not allow ad valorem tax revenues to be used for economic development purposes. Unless there is a change in the current interpretation of the law, all economic development bonds issued by the District will be payable from HOT and Sales and Use Tax revenues. The Attorney General does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

#### **Record Date for Interest Payment**

The date for determining the person to whom the interest on the Bonds is payable on any Interest Payment Date is the close of business on the last business day of the month next preceding each Interest Payment Date (the "Record Date").

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 District. Such Special Record Date will be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date will be sent by United States mail, first class, postage prepaid, not later than five days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

#### **Source of Payment**

The Bonds are issued pursuant to the authority granted under Article 3, Section 52, Texas Constitution. The Bonds, and any other bonds subsequently issued payable in whole or in part from ad valorem taxes authorized by Article 3, Section 52, Texas Constitution, are secured by and payable from the proceeds of an annual ad valorem tax levied against all taxable property located within the District subject to limitations described herein. (See "AD VALOREM TAXING PROCEDURES.") The Bonds are further secured by a subordinate lien on certain revenues, as described in the Resolution which are derived by the District from collection of the Sales and Use Tax imposed by the District on all taxable transactions in the District (excluding hotel room rentals) less administrative costs of collection. The District is also authorized to levy a Hotel Occupancy Tax equal to 9% of the cost of a hotel room rentals in the District. There are currently no hotels in the District but to the extent if and when such Hotel Occupancy Tax revenues are available, such revenues may be used (but are not pledged) for payment of debt service on the Bonds.

The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. (See "RISK FACTORS.") The Bonds are obligations solely of the District and are not obligations of the State of Texas, the County, the City (the municipality with extraterritorial jurisdiction over land within the District), or any political subdivision or entity other than the District.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE, THE COUNTY; NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS.**

#### **Perfected Security Interest**

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Resolution and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Registered Owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

#### **Debt Service Fund; Tax Pledge**

*Debt Service Fund:* The Resolution confirms the District's Road Debt Service Fund (the "Debt Service Fund"). The District is obligated to deposit into Road Debt Service Fund, as collected, all ad valorem taxes levied, assessed and collected for and on account of the Bonds authorized by the Resolution. Such taxes levied each year include a continuing direct annual ad valorem tax upon all taxable property in the District at a rate sufficient to pay debt service on the Bonds, but in no event may the District levy ad valorem taxes for all purposes that exceed the lesser of the rate levied each year by the City (currently \$0.54159), or \$0.5785 per \$100 valuation of taxable property within the District. In the event of insufficiency of ad valorem taxes and to the extent required to pay debt service on the Bonds, the District may also deposit Sales and Uses Taxes collected within the District into the Debt Service Fund. The District reserves the right to use available Hotel Occupancy Tax revenues if and when collected for debt service on the Bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any other road bonds payable from ad valorem taxes. See "THE BONDS - Authority for Issuance," and "TAX DATA" herein.

## **Redemption Provisions**

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 20\_\_, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 20\_\_, or any date thereafter, at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Registrar will treat each Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. The Registrar will select the particular Bonds to be redeemed within any given maturity by lot or other random selection method. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions of the Resolution, will authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered. Reference is made to the Resolution for complete details concerning the manner of redeeming the Bonds.

*Notice of Redemption; Effect of Redemption:* Notice of any redemption identifying the Bonds to be redeemed in whole or in part will be given by the Registrar at least 30 days prior to the date fixed for redemption by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Registrar. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given will be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision must be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed will be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

## **Registration, Transfer, and Exchange**

So long as any Bonds remain outstanding, the Registrar will keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Registrar will provide for the registration and transfer of Bonds in accordance with the terms of the Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar has been directed by the District to authenticate and deliver in exchange therefore, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered will be entitled to the benefits and security of the Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Registrar will be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the 30-day period prior to the date fixed for redemption of such Bond.

The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the District.

## **Replacement of Paying Agent/Registrar**

Provision is made in the Resolution for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar must act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District must be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

## **Remedies in Event of Default**

In addition to all of the rights and remedies provided by laws of the State, the District has agreed that in the event of default in payment of principal or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Debt Service Fund or any other fund or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Resolution, the Registered Owners will be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in the Resolution.

The Texas sovereign immunity doctrine includes two distinct principles: immunity from suit and immunity from liability. With regard to breach of contract claims against the State, Texas courts have held that when the State enters into a contract with a private party, it waives immunity from liability but not immunity from suit. Immunity from suit deprives a court of subject matter jurisdiction, and can only be waived as specifically provided for by the State legislature, either by statute or by special resolution. The Texas Supreme Court (the "Texas Supreme Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of immunity from suit must be provided for by a statute in "clear and unambiguous" language. In so ruling, the Texas Supreme Court declared that statutory language such as "sue and be sued" or "plead and be impleaded," in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Texas Supreme 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 Texas Supreme Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act applies to districts and relates to contracts entered into by districts for goods or services; however, it is

unlikely that a finder of fact would determine that the Resolution or the Bonds are a contract for goods or services. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property.

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).

The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Certain traditional legal remedies also may not be available. (See "RISK FACTORS — Registered Owners' Remedies and Bankruptcy Limitations.") 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 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.

There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

#### **Legal Investment and Eligibility to Secure Public Funds in Texas**

The Bonds are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

#### **Defeasance**

The Resolution provides for the defeasance of the Bonds in any matter permitted by law. Under existing Texas law, the Bonds may be defeased when the payment of the principal of and redemption premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Obligations (defined below), certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reservation be included in any redemption notices that it authorizes. There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above.

#### **BOND INSURANCE**

The District has made application to a municipal bond insurance company to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. The District has yet to determine whether an insurance policy will be purchased for the Bonds. If an insurance policy is purchased, the final Official Statement will disclose pertinent information relating to such insurance policy and the provider thereof.

#### **BOND INSURANCE RISK FACTORS**

If a bond insurance policy is purchased, the following are risk factors relating to bond insurance. In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") issued by the bond insurance company (the "Bond Insurer") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration.

The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with any mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date. Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will be payable solely from the moneys received pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings of bonds that are insured by a municipal bond guaranty insurance policy are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on any bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the bonds or the marketability (liquidity) for the bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter will make an independent investigation into the claims paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is or will be given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment (see "BOND INSURANCE" herein).

## **THE DISTRICT**

### **General**

The District is a public improvement district created by an order of the Court on August 30, 2007 and as amended by the First Amended Order Granting the Petition on November 20, 2007, the Second Amended Order Granting the Petition on July 22, 2008, the Third Amended Order Granting the Petition on August 18, 2009, and the Fourth Amended Order Granting the Petition on July 13, 2010, pursuant to Chapter 372, Subchapter C, Texas Local Government Code, as amended (recodified as Chapter 382, Texas Local Government Code ("Chapter 382")), and a confirmation election for the District, held on November 6, 2007, which approved its powers and taxing authority. The rights, powers, and privileges are established by Article III, Sections 52 and 52-a, and Article XVI, Section 59, of the Texas Constitution and Chapters 380, 381, 382, and 383 of the Texas Local Government Code, as amended.

The District is primarily comprised of three major land holdings: Ladera, approximately 1,100 acres, which is being developed by Ladera I, LLC ("Ladera I"); Orchard, approximately 565 acres, which is being developed by Cumberland 211, Ltd., Cumberland 211 North, Ltd., Potranco 2013 Land, Ltd., Potranco 211 Land Partners, Ltd., and Cumberland 90, Ltd. (collectively "Cumberland"); and Stevens Ranch, approximately 1,950 acres, which is also being developed by Cumberland. Cumberland Potranco Joint Venture, a joint venture which includes Cumberland 211, Ltd. is developing certain property in the District for commercial uses as described under "— Description of the Secondary Developers." Additional land in the District conveyed or to be conveyed by Ladera I to Lennar (as defined herein) is being developed or is expected to be developed as single family lots by Lennar as described under "— Description of the Secondary Developers."

The District is empowered, among other things, to exercise the powers of a road district; construct water, wastewater, and drainage facilities; enter into economic development agreements; levy ad valorem, hotel occupancy, and sales and use taxes; borrow money; and issue bonds and other obligations. The District is governed by a seven-member Board who are appointed by the Court to staggered two-year terms expiring on June 1<sup>st</sup> of each respective expiration year. To be eligible for appointment as a director, a person must be at least 18 years old. Once the District reaches a population of 1,000, such person must also reside in the District and either (1) own property in the District, (2) own stock of a corporate owner of property in the District, (3) own a beneficial interest in a trust that owns property in the District, or (4) be an agent, employee or tenant of (1)-(3) above.

Public improvement projects such as water, wastewater, drainage, roadway facilities, and other improvements authorized by Chapter 382 have been, or will be constructed by Ladera I or Cumberland and the costs of such projects are reimbursable by the District. (See "Public Improvement Financing Agreement.")

### **Description and Location**

The District is located in the fast growing far west side of the City, approximately 20 miles west of the City's downtown area, within the County. The District boundaries are located in the Northside and Medina Valley Independent School Districts. With many large employers, close proximity to Lackland Air Force Base, and numerous businesses such as Kohl's, HEB, and a recently opened Costco, the area attracts many military families, middle-class and first-time home buyers.

The District is being developed with three master-planned developments that have separate community identities, each providing for residential and commercial uses, “Ladera,” “Orchard,” and “Stevens Ranch.”

#### Ladera

Ladera is located at Groesenbacher Road and Highway 211 and is approximately 21 miles from downtown San Antonio, north of Highway U.S. 90 and south of Potranco Road. Ladera takes its name from the Spanish word for “hillside,” which accurately describes the unique and beautiful topography in Ladera. Ladera has some of the highest hill country terrain and panoramic views of the surrounding area.

#### Orchard

Orchard is a 565 acre multi-use site, located on the west side of San Antonio at the northeast corner of Texas Highway 211 and U.S. Highway 90.

#### Stevens Ranch

Stevens Ranch is located 17 miles west of downtown San Antonio on the northeast corner of Texas Highway 211 and Potranco Road. The residential component of Stevens Ranch has a large greenbelt and oak studded lots. Stevens Ranch includes 3.6 miles of frontage on Texas Highway 211 being utilized for commercial, retail, multifamily, and data centers as well as significant frontage along Potranco Road.

#### **Bexar County Commissioners Court’s and County’s Limited Involvement with the Issuance of the Bonds**

Pursuant to Chapter 382, the District is required to receive approval from the Court when incurring debt, including the Bonds. The Court approved the District’s issuance of the Bonds on October 24, 2023.

This approval granted by the Court is not to be construed as (i) a representation or warranty by the County that the Bonds will be paid or that any obligations assumed by any of the parties will, in fact, be performed, (ii) a pledge of the faith and credit of or by the County; additionally, the fact that the Court has approved the Bonds as required by Chapter 382, Local Government Code, may not, in any event be used as a sales device with respect to the Bonds, nor shall such approval be construed as a representation or warranty by the County concerning the validity of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE COUNTY ARE PLEDGED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS. The Court’s involvement with the issuance of the Bonds is limited to the appointment and reappointment of the Board, and the statutorily required approval for the issuance of any debt by the District. The County and the Court have no further involvement with the District.

Additionally, neither the County nor any members of the Court were requested to participate, nor did either take part, in the preparation of the Official Statement prepared or used in the issuance and sale of the Bonds, nor has either assumed any responsibility with respect thereto or undertaken independently to verify the information contained therein; furthermore, in the Court’s order approving the issuance of the Bonds, the Court has expressly disclaimed any potential federal or state securities liability based on any potential claims submitted pursuant to then applicable federal or state securities laws relating the issuance of the Bonds.

#### **Master Development Plan**

The District consists of over 3,800 acres of land located in Bexar County. Each of the three master-planned developments, Ladera, Orchard, and Stevens Ranch, have separate community identities, each providing for residential and commercial uses.

#### Ladera

Ladera is a master planned development that includes 4,114 entitled residential lots, an elementary school, amenity center, recreational use trails and pocket parks. The existing residential component includes single-family homes in the gated community of North Ridge and the open communities of High Point and Laurel Hollow. Ladera entitlements provide for the residential component and a commercial component that consists of approximately 106 acres designated for multifamily and commercial uses.

#### Orchard

Orchard is a master planned development located at the intersection of two existing highways. The 565 acres site is well-located to include a data center power park and regional retail and commercial site with the option for including multifamily and single family residential components. Orchard’s location offers two miles of commercial-retail frontage on state and interstate highways.

#### Stevens Ranch

Stevens Ranch is a 1,950 acre multi-use, master planned community comprised of single family residential, retail and restaurants. Stevens Ranch East, the single-family residential portion, is entitled for 3,594 lots. Stevens Ranch West is entitled for commercial development but has the flexibility to have multifamily in addition to commercial and retail. There are 3.6 miles of frontage on Highway 211 and significant frontage along Potranco Road which at last measurement by TxDOT for year 2022 had approximately 25,000 cars passing per day, for future retail and commercial growth.

#### **Status of Development, Home Building Program and Community Facilities**

#### Ladera

Ladera I has obtained approval of the project master plan from the County and the City and is fully entitled. Ladera I has constructed the majority of Groesenbacher Road, the main spine road of the development, onsite and offsite water and sewer, and two sections of the main collector road, Ladera Hills. One commercial tract of approximately 9 acres was sold in spring 2023 to a neighborhood retail/commercial developer and a multifamily tract of approximately 14 acres is under contract for sale.

The North Ridge gated community is fully constructed with five units. Additionally, six units in the open communities of High Point and Laurel Hollow are fully constructed. All constructed units total approximately 323 platted acres. Ladera I has completed construction of 962 single-family lots and has sold 696 developed lots to contracted home builders. The majority of these lots have finished homes or currently have homes under construction. There are approximately 460 homes occupied in Ladera. The remaining land in the High Point section has been master planned with an intention to initiate design of new units in late 2023 and into 2024. A portion of the remaining residential land south of Grosenbacher Road has been contracted for sale to Lennar Homes of Texas Land and Construction, Ltd., a Texas partnership (Lennar), with 196 acres having been conveyed to Lennar under such contract as land for the development of lots in the Spring of 2022.

Ladera offers a variety of builders and product for new home buyers, families and active adult residents. Home prices currently range from mid \$300,000 to high \$500,000 with a few floor plans above \$600,000. The builder group other than Lennar includes top regional home builders Perry Homes, Kindred Homes, David Weekley Homes, and Liberty Homes.

Available to residents is the community's first amenity center, a resort-style amenity center located within the community featuring a Junior Olympic-size pool with walk-in beaches, a covered pavilion with picnic tables, an ADA-compliant playground, covered shelters and abundant green spaces. A pocket park is nestled within the North Ridge Community and the development enjoys wide open spaces and considerable green space. Finally, a recreational use trail called the Lucas Creek Trail System spans several miles for residents and visitors to walk, bicycle, jog or run. The Lucas Creek Trail is the main path for the extensive network of trails linking Ladera's neighborhoods and include trailheads, scenic lookouts and convenient seating.

A state-of-the-art school, Ladera Elementary, opened for the 2021-2022 school year. Ladera Elementary is part of the Medina Valley Independent School District, which is a highly sought district and consistently outcores all state averages in accountability ratings and testing. Medina Valley Independent School District also excels in academic and athletic extracurricular activities and has a large fan base for all activities. Children in Ladera will also attend Medina Valley High School and Medina Valley Middle School. Medina Valley Independent School District has an Accountability Rating of "A," Ladera Elementary School has an Accountability Rating of "C," Medina Valley Middle School has an Accountability Rating of "B," and Medina Valley High School has an Accountability Rating of "A," each received from the Texas Education Agency for the 2021-2022 school year.

#### Orchard

Cumberland is refining a master development plan for 565 acres to include a data center power park and regional retail and commercial site with the option for multi-family and single family residential. Orchard offsite roads and utility improvements are complete or nearly so. Periodic administrative procedures such as getting approvals from SAWS, the County, and the City for example are required before construction proceeds are distributed. Construction has not yet commenced on Orchard.

#### Stevens Ranch

Presently, Stevens Ranch is a subdivision in west San Antonio, with current home prices of \$510,000 – \$680,000 and 281 lots sold. Perry Homes, a high-end homebuilder headquartered in Houston, is currently constructing homes within the community.

Two schools within the Stevens Ranch community, Langley Elementary School and Bernal Middle School, are both part of the Northside Independent School District. Additionally, children in Stevens Ranch will attend Harlan High School. Northside Independent School District has an Accountability Rating of "B," Langley Elementary School has an Accountability Rating of "A," Bernal Middle School has an Accountability Rating of "B," and Harlan High School has an Accountability Rating of "B," each received from the Texas Education Agency for the 2021-2022 school year.

Stevens Ranch has a 196-acre nature preserve and residents of Stevens Ranch enjoy a junior-sized Olympic pool and cabana with outdoor amenities.

The existing Stevens Ranch retail center comprises 150 acres, including an 110,000 sq. ft. HEB grocery store anchor and a variety of retail services encompassing health care, dental care, veterinary care, beauty services and multiple national fast-food chains. Currently, total commercial space is just over 167,000 square feet with additional projects under consideration.

### **Public Improvement Financing Agreement**

The District entered into a "Public Improvement Financing Agreement" dated July 31, 2010, (the "Public Improvement Financing Agreement") with Ladera I and certain of the Cumberland entities (including Cumberland 211, Cumberland Properties, Potranco 211 Land Partners, Cumberland 90 and Ladera I (together, the "Developers") and the County (for limited purposes) wherein the Developers agreed to advance funds on behalf of the District to pay (1) costs of the Public Improvements constructed to serve the District, (2) approved operational expenses of the District, and (3) certain "Administration Expenses" (defined herein), until the District has sufficient Available Revenues, as defined in the Public Improvement Finance Agreement. The District agreed to reimburse the Developers for Public Improvements from Available Revenues including an ad valorem tax upon all taxable property within the District equal to the lesser of the City Rate or \$0.5785 or a sales tax at a rate up to 2.0% (currently levied at 1.5%) on all taxable sales within the District and a hotel occupancy tax at a rate of equal to the greater of the hotel occupancy tax rate levied by the City of San Antonio, Texas, or 9%.

The Developers and District agree that Available Revenue (ad valorem taxes, Sales and Use Tax and Hotel Occupancy Tax) will be applied by the District in the following order:

- (1) to the limited administrative expenses of the District;
- (2) to the payment of outstanding debt service on District Bond issues, including any required replacement of reserve funds associated with District Bond issues;
- (3) to the County for payment of PID Cost Allocation of the Road Project;

- (4) to the County for Reimbursement Costs and/or Enforcement Costs;
- (5) to any indemnity obligation;
- (6) to owners of land within the District for reimbursement obligations; and
- (7) to a non-owner request for funds approved by the Board.

The term of the Public Improvement Financing Agreement is from the date of execution, July 13, 2010, until the transactions contemplated in the Public Improvement Financing Agreement are consummated or the District is dissolved, whichever occurs first. The District's reimbursement obligations may be paid from bond proceeds secured by Available Revenues including the Bonds.

#### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District.

To accomplish such annexation, the City will need to take the following actions, all of which are waived by the Developers in the Services Agreement:

- a) adopt or amend any annexation plan to include the Property;
- b) give notice to any service providers in the area of the Property;
- c) compile an inventory of services provided to the area by both public and private entities prior to the City's annexation or make such inventory available for public inspection;
- d) complete a service plan that provides for the extension of full municipal services to the Property, other than the Service Plan;
- e) hold any public hearings; and
- f) undertake any negotiations for provision of services to the Property.

The City and the owners of the property within the District, which include the Developers, entered into an "Agreement for Services in Lieu of Annexation" dated September 20, 2007, as amended (the "Services Agreement"). Pursuant to the Services Agreement, the City agreed to continue the extraterritorial status of the District and its immunity from annexation. Additionally, the San Antonio Water System provides water and sewer services to the District. Pursuant to the Services Agreement, the owners of the property and the Developers agree to certain development standard requirements of the City.

Upon the occurrence of any or all of the following events, the City may, at its option, terminate the Services Agreement in compliance with the notice provisions in the Services Agreement:

- a) The termination of the District by the County;
- b) The determination by TxDOT not to use Pass-Through Financing for the construction and improvement of Highway 211 between Potranco Road and Culebra Road, and to widen Potranco Road between Loop 1604 and Highway 211; or
- c) The Developers, their heirs or assigns, attempt to withdraw, rescind or nullify the Developers' consent to annexation, contained in the Services Agreement, or to otherwise challenge the enforceability of the consent to annexation by the City, except to the extent permitted under such consent to annexation.

If the Developers default on the terms of the Services Agreement, the City may annex the territory within the District which would impair the District's taxing authority (including the Sales and Use Tax of the District and any Hotel Occupancy Tax).

At the completion of the Services Agreement term on December 30, 2052, the City may annex the District if there has been no default or early termination as a result of not meeting the obligations described above. If the Services Agreement expires or there is a default, the City may annex the entire territory of the District, and the City must assume the District's assets, but is not liable for the District's debt or other obligations. If the City annexes the District, sufficient taxes will be levied in 2052 to pay the final maturity on the Bonds. The District remains in existence after the territory is annexed for the purpose of collecting any taxes or assessments authorized by the County and imposed by the District before annexation. Taxes or assessments collected after annexation must be used by the District solely for the purpose of satisfying any pre-existing District debt or other obligation. After the debt or other obligations have been discharged, or two years have expired since the date of the annexation, the District is dissolved and any outstanding debt or obligations are extinguished. If the District is partially annexed, the County may authorize the District to impose an ad valorem tax, hotel occupancy tax, or sales and use tax, or collect an assessment in the area that the City overlaps the District. The District may continue to impose a tax in an area that the City annexes for limited purposes and in which the City does not impose taxes. If the City annexes an area for limited purposes and imposes some of the taxes which the District is imposing but not all of them, the District may continue to impose taxes only to the extent that the level of taxation of the City and the District combined, calculating the Hotel Occupancy Tax, the Sales and Use Tax, and the ad valorem tax independently, is equal to or less than the tax level of the City as to fully annexed areas.

#### **Emergency Services District**

The District lies in the service area of the Bexar County Emergency Services District #2 which provides fire protection services.

### **MANAGEMENT**

#### **Board of Directors**

The District is governed by the Board, which has control over and management supervision of all affairs of the District. The directors are appointed by the Court. The directors and officers of the District are listed on page i hereof. The Board has hired an independent contractor (Armstrong, Vaughn & Associates, PC), to provide accounting services to the District. The District has no employees.

### **Tax Assessor/Collector**

Land and improvements in the District are being appraised for taxation by the Bexar Appraisal District (the “Appraisal District”). The District contracts with the Bexar County Tax Assessor-Collector to act as Tax Assessor/Collector for the District.

### **Bond Counsel**

Allen Boone Humphries Robinson, LLP, Houston, Texas, serves as “Bond Counsel” to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

### **General Counsel**

Davidson Troilo Ream & Garza, P.C., San Antonio, Texas, serves as “General Counsel” to the District.

### **Financial Advisor**

Hilltop Securities Inc. is employed as “Financial Advisor” to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities, in its capacity as Financial Advisor, 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District 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 District 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.

The Financial Advisor has also entered into an agreement with the District to serve as dissemination agent with respect to the Bonds.

### **Auditor**

McGrath serves as special auditor to the District. McGrath has been engaged to review and audit the expenditures submitted by the Developers. The computation of certain costs of the Developer have been reviewed to determine that amounts are stated in accordance with contractual arrangements (including the Public Improvement Financing Agreement) between the District and the Developers. McGrath will also re-calculate the computation of interest requested by the Developers related to the reimbursement requests.

Perez Project Consulting, Inc. serves as “reimbursement auditors” and analyze and compile all project reimbursements and claims from the Developers to ensure they are documented in accordance with the Public Improvement Finance Agreement.

Garza/Gonzales & Associates serves as independent auditor for the District’s financial statements.

## **THE DEVELOPERS**

**The information set forth under this heading “THE DEVELOPERS” has been provided by the Developers, and none of the District, the Financial Advisor or the Underwriter have undertaken to verify such information, and the District, the Financial Advisor or the Underwriter make no representations about the accuracy or completeness of the information contained under this heading “THE DEVELOPERS.”**

### **Role of a Developer**

In general, the activities of a landowner or developer in a special district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers, builders or third parties. Furthermore, there is no restriction on a developer’s right to sell any or all of the land that the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

### **Description of Developers**

#### **Ladera I, LLC**

Ladera I, a wholly owned subsidiary of CIRC Land Development Company (“CLDC”), is a single purpose entity formed to hold and develop the Ladera master planned community. CLDC has developed multiple complex real estate developments in Texas, Hawaii and Alaska. CLDC’s Texas developments have included the entry level single-family community of Escondido North on the east side of San Antonio, and the single-family Tuscan Heights Subdivision in north San Antonio. CLDC also currently owns nine remaining acres in its commercial development off Sonterra Boulevard in the Stone Oak area in northern San Antonio. In 2022, CLDC generated approximately \$12,000,000 in revenues with a net income of approximately \$4,000,000. Through August 2023, CLDC has generated approximately \$8,000,000 in revenues with a net income of approximately \$3,000,000.

CLDC is a wholly owned subsidiary of Cook Inlet Region, Inc. (“CIRI”). Proudly owned by more than 9,100 Alaska Native shareholders, CIRI is one of a dozen Alaska-based regional corporations created by the Alaska Native Claims Settlement Act of 1971. Today, CIRI is recognized as a model of success, with business interests throughout the United States in real estate, energy and infrastructure, environmental services and government contracting. CIRI’s diverse business interests span across the state, the Lower 48 and overseas. CIRI’s mission is to promote the economic and social well-being and Alaska Native heritage of its shareholders. In 2022, CIRI generated approximately \$540,000,000 in revenues with a net income of

approximately \$21,000,000. Through August 2023, CIRI has generated approximately \$360,000,000 in revenues with a net income of approximately \$25,000,000.

In selecting an expert local partner to oversee development of Ladera, CLDC selected the Bitterblue project management team with Denton Communities. Denton Communities is a multi-generational land development company that has been creating highly desirable and thoughtfully planned communities in San Antonio for more than 70 years. Bitterblue, Inc. is an experienced land development company with experience developing and building various types of commercial and residential projects, including mixed-use, office, multi-family, retail and joint venture residential and commercial projects.

#### Cumberland Entities

The development team of Cumberland has over 50 combined years of experience and has developed more than \$2.3 billion in real estate projects, solely or with affiliates, throughout the United States. They have been involved with all phases of real estate development including office, single family, multifamily and mixed-use projects ranging in asset value from \$2 million to the current two projects with a value estimated in excess of \$1 billion.

#### **Activities of the Developers**

##### Ladera

Ladera I acquired the development tract of approximately 943 acres in 2007 and the first project phase included the construction 158 single family lots, streets and utilities, entry features and phase I of the main arterial access, Grosenbacher Road, at the intersection of Highway 211. In 2008, Ladera I also acquired the “Bengel Tract” – approximately 182 acres adjacent to the west of the original parcel. Both parcels are consolidated in one master development plan. The majority of the Bengal Tract was subsequently annexed into the District to allow for additional tax base.

Ladera lies within the San Antonio Water System “SAWS” Upper Medina Collection and Treatment Area and the Big Saus Creek & Polecat Creek-Medina River Watershed. Ladera is not located over the Edwards Aquifer Recharge or Contributing Zone and is not located within the 5-mile Awareness Zone of Camp Bullis. The Utility Service Agreement between Ladera and SAWS granted under SAWS Board Resolution No. 2021-162 (the “Utility Service Agreement”) provides the terms and conditions pursuant to which SAWS will provide such water and wastewater service to the residential and commercial development within Ladera.

In order to supply water for Ladera, the Utility Service Agreement requires the Developers to provide certain infrastructure, including water mains and a water production and storage facility. Ladera I is also required to pay all applicable impact fees and system development fees.

##### Orchard

Orchard is located on the northwest quadrant of a high traffic intersection. The tract is not located over the Edwards Aquifer Recharge or Contributing Zone and is not located with the 5-mile Awareness Zone of Camp Bullis. Infrastructure for offsite utilities is in place. Cumberland has considered uses such as a data center park, retail, commercial buildings, multifamily, and single-family homes for Orchard, but no entitlements are in place.

A prior utility services agreement between Cumberland and SAWS related to Orchard has expired due to inactivity. A new utility services agreement must be submitted and approved by the SAWS Board of Directors prior to any new water/sewer connections are permitted. Such process takes approximately six months to complete in its entirety.

##### Stevens Ranch

Stevens Ranch is divided into three main contiguous sub-parcels: (1) Stevens Ranch East (“SRE”) (100% residential – 1,200 acres); (2) Stevens Ranch West (“SRW”) (commercial, multi-family and retail – 538 acres); and (3) a joint venture with Kimco Realty (retail – 150 acres). The remainder is used for schools, nature preserves, right of way or other parcels of land that are not attributable to the three main developable parcels. The asset is fully entitled with infrastructure for offsite utilities in place or immediately available.

A prior utility services agreement between Cumberland and SAWS related to a portion of Stevens Ranch has expired due to inactivity. A new utility services agreement must be submitted and approved by the SAWS Board of Directors prior to any new water/sewer connections are permitted. Such process takes approximately six months to complete in its entirety.

#### **Financing of Activities of the Developers**

##### Ladera I

Ladera I has financed the acquisition and development of land in the District from equity and the company’s credit line. Ladera I does not use project financing for the Project in the District and there are no financing liens against Ladera I’s remaining land in the District.

##### Orchard

Cumberland financed the acquisition of this property through its existing partner relationships and has no external third-party financing at this time.

##### Stevens Ranch

Cumberland financed the acquisition of this property through its existing partner relationships. Cumberland obtained financing in the amount of \$125,000,000 with a simple (non-compounding) interest rate of 3 ½ %, and with no scheduled loan payments for twelve years. Release prices are paid to the lender only as tracts are sold.

## Description of the Secondary Developers

### Ladera I

Until recently, Ladera I has been the sole developer. However in the spring of 2022 Ladera I sold approximately 196 acres of raw land to Lennar for development and is under contract to sell an additional approximately 321 acres to Lennar for development. In connection with the sale Ladera I executed a Partial Assignment of Certain Rights Under Public Improvement Financing Agreement in connection with Lennar's development of the property. Lennar will be developing their property as the Millbrook community and will phase their development starting at the south to provide differentiation from Ladera. Lennar is currently constructing significant infrastructure, including a southern entrance at HWY 211. Lots are being constructed with anticipated home starts to take place in late 2023. If Lennar completes all phases of its planned development, it will purchase and develop approximately 517.66 acres in the southern portion of Ladera.

### Cumberland

Cumberland 211, Ltd. contributed land to Cumberland Potranco Joint Venture as part of a joint venture related to commercial development in the District with Weingarten Realty Investors, a subsidiary of Kimco Realty Corporation. Kimco Realty Corporation is a real estate investment trust (REIT) headquartered in Jericho, N.Y., that is North America's largest publicly traded owner and operator of open-air, grocery-anchored shopping centers and mixed-used assets. The company's portfolio is primarily concentrated in the first-ring suburbs of the top major metropolitan markets, including those in high-barrier-to-entry coastal markets and rapidly expanding Sun Belt cities, with a tenant mix focused on essential, necessity-based goods and services that drive multiple shopping trips per week. Kimco is also committed to leadership in environmental, social and governance (ESG) issues and is a recognized industry leader in these areas. The company, which completed a holding company reorganization on January 1, 2023 to an Umbrella Partnership REIT ("UPREIT"), is publicly traded on the NYSE since 1991, included in the S&P 500 Index, and has specialized in shopping center ownership, management, acquisitions, and value enhancing redevelopment activities for more than 60 years. As of September 30, 2023, the company owned interests in 527 U.S. shopping centers and mixed-use assets comprising 90 million square feet of gross leasable space.

## Future Development by Developer

### Ladera

As of October 1, 2023, Ladera I owns a remaining approximately 560 acres in the District. Approximately 54 acres is intended to be used for commercial or multifamily. The remaining property owned by Ladera I is planned for single family residential development.

### Cumberland Entities

Various Cumberland entities are involved in litigation relating to their property in the District as described under "RISK FACTORS – Litigation Amongst Developers" herein. **This litigation may negatively impact land sales and the development of taxable improvements within the District, impairing the expected future tax revenue growth in the District.**

## Developer Responsibility

The Developers are not responsible for or liable for, and have not made any commitment for, payment of the Bonds or other obligations of the District. The inclusion of any financial statements of the Developers or information about other developers should not be construed as an implication that the Developers have undertaken obligations to pay the Bonds. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their properties within the District, or any other assets, at any time. Further, the Developers' financial condition is subject to change at any time.

The District cautions that the development experience of the Developers described above was gained in different markets and under different circumstances than exist today, and the prior success of the Developers is no indication or guarantee that the Developers will be successful in the development in the future of any land in the District.

## DEBT AND FINANCIAL INFORMATION

### Bonds Authorized But Unissued

The Election authorized the issuance of bonds payable from the Hotel Occupancy, Sales and Use Taxes, and Ad Valorem taxes, in the amounts and for the purposes set forth below. The following table also sets forth the amount of bonds previously issued for each such purpose.

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**Table 1 —Bonds Authorized but Unissued**

Purpose	Date Authorized	Amount Authorized	Amounts Issued	Amounts Issued	Unissued Balance
			Payable from Ad Valorem Taxes	Payable from HOT and Sales and Use Taxes	
Economic Development <sup>(1)</sup>	11/14/2007	\$ 50,000,000	\$ -	\$ -	\$ 50,000,000
Utility, Water, Sanitary Sewer and Drainage	11/14/2007	50,000,000	-	-	50,000,000
Road	11/14/2007	180,000,000	20,935,000 <sup>(2)</sup>	-	159,065,000
Flood Plain and Wetlands	11/14/2007	60,000,000	-	-	60,000,000
Total:		<u>\$340,000,000</u>	<u>\$ 20,935,000</u>	<u>\$ -</u>	<u>\$319,065,000 <sup>(2)</sup></u>

- (1) The Texas Attorney General's office has taken the position that the Texas Constitution does not allow ad valorem tax revenues to be used for economic development purposes. Unless there is a change in the current interpretation of the law, all economic development bonds issued by the District will be payable from HOT and Sales and Use Tax revenues.

- (2) Includes the Bonds. *Preliminary; subject to change.*

### Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which property in the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes ("Tax Debt") are based upon data obtained from individual jurisdictions or the "Texas Municipal Reports" compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional Tax Debt since the date listed and may have plans to incur significant amounts of additional Tax Debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance, and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance, and/or general revenue purposes is not included in these figures. The District has no control over the issuance of Tax Debt or tax levies of any such entities.

	2023/2024	2023/2024			District's
	Taxable	Total	Total	Estimated	Overlapping
	Assessed	Tax	Tax Debt	%	Tax
Taxing Jurisdiction	Value	Rate	10/31/2023	Applicable	Debt As of
Westside 211 Special Improvement District	\$ 330,103,720	\$0.54159	\$ 20,145,000 <sup>(1)</sup>	100.00%	\$ 20,145,000
Alamo Community College District	253,189,964,175	0.14915	773,715,000	0.14%	1,083,201
Bexar County	229,665,909,400	0.27633	2,148,125,000	0.14%	3,007,375
Bexar County Hospital District	251,250,964,257	0.27624	1,320,585,000	0.14%	1,848,819
Medina Valley Independent School Distrcet	3,057,519,388 <sup>(2)</sup>	1.16920	551,805,686	3.58%	19,754,644
Northside Independent School District	86,847,613,209 <sup>(2)</sup>	1.01170	2,395,545,000	0.17%	4,072,427
Total Overlapping Tax Debt					\$ 49,911,465

- (1) Includes the Bonds. *Preliminary; subject to change.*

- (2) During the second special session of the 88th Texas Legislature, the Legislature passed 2023 SB 2, which includes provisions that increase the school district mandatory homestead exemption from \$40,000 to \$100,000 (subject to a state-wide voter approval of a related constitutional amendment), and places further limitations on increases in appraised values of properties. 2023 SB 2 was signed into law by the Governor on July 22, 2023. The provisions increasing the residential home \$100,000 will be submitted to voters of the State on November 7, 2023. If passed into law, 2023 SB 2 will result in a reduction of the school district's taxable assessed value.

If land is devoted principally to agricultural use, the landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on land's productive capability. Agricultural use includes production of crop or livestock. It can also include leaving the land idle for a government program or for normal crop or livestock rotation.

If land is qualified for an agricultural valuation but the land use changes to a non-agricultural use, "rollback taxes" are assessed for each of the previous three years in which the land received the lower agricultural valuation. The rollback tax is the difference between the taxes paid on land's agricultural value and the taxes that the landowner would have paid if the land had been taxes on a higher market value plus interest charged for each year from the date on which taxes would have been due. If the land uses changes to a non-agricultural use on only a portion of a larger tract, the landowner can fence off the remaining land and maintain the agricultural valuation on the remaining land. In this scenario, the landowner would only be responsible for rollback taxes on that portion of the land where use changed and not the entire tract.

A portion of the property within the District is currently subject to an agricultural or wildlife valuation with respect to its ad valorem taxes. Additionally, such property is currently being leased to certain unaffiliated third parties for agricultural purposes only. The Developers expect to

terminate the agricultural lease with respect to such and remove the agricultural or wildlife valuation as development occurs. The Developers or purchasers purchasing property from the Developers will pay rollback taxes with respect to such property.

**Table 2 - Statement of Activities**

	Fiscal Year Ended September 30,					
	2023 <sup>(1)</sup>	2022	2021	2020	2019	2018
<b>Revenues:</b>						
Property Taxes	\$ 593,025	\$ 882,328	\$ 587,546	\$ 464,847	\$ 344,422	\$ 285,148
Operating Contribution	-	-	-	4,983,000 <sup>(1)</sup>	-	-
Sales Tax	983,446	877,578	683,114	554	-	-
Interest Income	3,515	21,502	597	120	-	163
Total Revenues	<u>\$ 1,579,986</u>	<u>\$ 1,781,409</u>	<u>\$ 1,271,257</u>	<u>\$ 5,448,521</u>	<u>\$ 344,422</u>	<u>\$ 285,311</u>
<b>Expenditures:</b>						
General Government	\$ 3,500	\$ 427	\$ 57,107	\$ 136,080	\$ -	\$ -
Economic Development	-	-	-	37,691	-	-
Accounting Services	18,000	9,600	-	-	7,200	6,400
Auditing Services	12,200	11,600	-	-	10,000	9,500
Engineering Services	5,292	23,786	6,743	-	2,013	-
Consulting Services	-	-	-	-	-	5,618
Financial Advisor Services	36,000	63,600	-	-	-	86,670
Contracted Services	-	-	-	-	-	31,213
Banking Services	-	534	-	-	64	80
Appraisal Fee	6,048	2,658	-	-	1,851	1,072
Insurance	2,000	2,000	-	-	1,500	-
Legal Services	39,296	63,061	-	-	85,382	41,859
Total Expenditures	<u>\$ 122,336</u>	<u>\$ 177,266</u>	<u>\$ 63,850</u>	<u>\$ 173,771</u>	<u>\$ 108,011</u>	<u>\$ 182,412</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 1,457,650	\$ 1,604,142	\$ 1,207,407	\$ 5,274,750	\$ 236,411	\$ 102,899
<b>Transfer to Debt Service Fund</b>	(362,537)	(588,683)				
<b>Transfer to Bexar County</b>		(4,983,000) <sup>(2)</sup>				
<b>Transfer In</b>		3,657				
<b>Reimbursements to Developers</b>	(1,126,320)					
<b>Beginning Fund Balance</b>	\$ 3,265,839	\$ 7,229,722	\$ 6,022,315	\$ 747,565	\$ 511,154	\$ 408,255
<b>Ending Fund Balance</b>	<u>\$ 3,234,632 <sup>(3)</sup></u>	<u>\$ 3,265,839 <sup>(2)</sup></u>	<u>\$ 7,229,722 <sup>(2)</sup></u>	<u>\$ 6,022,315</u>	<u>\$ 747,565</u>	<u>\$ 511,154</u>

(1) Unaudited.

(2) The operating contribution in the amount of \$4,983,000 was restricted for expenditures related to Road Project financing and in Fiscal Year Ended 2022 was transferred to Bexar County.

(3) Includes a restricted amount of \$1,473,590 for an authorized developer reimbursement.

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**Table 3 – Pro-Forma Ad Valorem Tax Debt Service Requirements**

FYE 9/30	Outstanding Debt Service			The Bonds <sup>(1)</sup>			Total Debt Service	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2024	\$ 345,000	\$ 574,088	\$ 919,088	\$ 120,000	\$ 150,941	\$ 270,941	\$ 1,190,029	
2025	350,000	564,638	914,638	65,000	207,094	272,094	1,186,731	
2026	360,000	555,088	915,088	70,000	203,844	273,844	1,188,931	
2027	370,000	545,188	915,188	70,000	200,344	270,344	1,185,531	
2028	380,000	535,088	915,088	75,000	196,844	271,844	1,186,931	10.95%
2029	390,000	524,638	914,638	80,000	193,094	273,094	1,187,731	
2030	405,000	513,838	918,838	80,000	189,094	269,094	1,187,931	
2031	415,000	502,069	917,069	85,000	185,094	270,094	1,187,163	
2032	430,000	489,569	919,569	90,000	180,844	270,844	1,190,413	
2033	445,000	474,269	919,269	90,000	176,344	266,344	1,185,613	23.41%
2034	460,000	457,994	917,994	100,000	171,844	271,844	1,189,838	
2035	475,000	441,156	916,156	105,000	166,844	271,844	1,188,000	
2036	495,000	423,756	918,756	105,000	161,594	266,594	1,185,350	
2037	510,000	405,531	915,531	115,000	156,213	271,213	1,186,744	
2038	530,000	386,744	916,744	120,000	150,319	270,319	1,187,063	38.37%
2039	550,000	367,131	917,131	125,000	144,019	269,019	1,186,150	
2040	570,000	346,594	916,594	135,000	137,456	272,456	1,189,050	
2041	590,000	325,219	915,219	145,000	130,200	275,200	1,190,419	
2042	615,000	303,006	918,006	150,000	122,406	272,406	1,190,413	
2043	640,000	279,806	919,806	155,000	114,156	269,156	1,188,963	56.61%
2044	660,000	254,963	914,963	170,000	105,631	275,631	1,190,594	
2045	690,000	229,388	919,388	170,000	96,281	266,281	1,185,669	
2046	715,000	202,388	917,388	185,000	86,931	271,931	1,189,319	
2047	740,000	178,969	918,969	190,000	76,525	266,525	1,185,494	
2048	760,000	154,669	914,669	205,000	65,838	270,838	1,185,506	78.88%
2049	790,000	129,769	919,769	215,000	54,050	269,050	1,188,819	
2050	815,000	103,706	918,706	225,000	41,688	266,688	1,185,394	
2051	840,000	76,763	916,763	245,000	28,750	273,750	1,190,513	
2052	870,000	48,938	918,938	255,000	14,663	269,663	1,188,600	100.00%
	<u>\$ 16,205,000</u>	<u>\$ 10,394,957</u>	<u>\$ 26,599,957</u>	<u>\$ 3,940,000</u>	<u>\$ 3,908,942</u>	<u>\$ 7,848,942</u>	<u>\$ 34,448,899</u>	

<sup>(1)</sup> Preliminary; subject to change.

#### **Outstanding Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds**

The District issued its \$12,265,000 Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds, Series 2021 on December 29, 2021 (the “Series 2021 Road Bonds”) of which \$11,635,000 remains outstanding and its \$4,730,000 Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds, Series 2022 on December 15, 2022 (the “Series 2022 Road Bonds”) of which \$4,570,000 remains outstanding.

#### **Issuance of Additional Debt**

To the extent that the taxable assessed valuation increases significantly, the District does anticipate the issuance of additional bonds in approximately one year.

#### **Investments**

The District is a governmental agency, body politic and corporate, and political subdivision of the State and is subject to the provisions of the Public Funds Investment Act (Texas Government Code, Chapter 2256) with respect to the investment of its funds. The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the District’s investment policies are subject to change.

The District has adopted an “Investment Policy” as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested

in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

**Current Investments**

As of September 30, 2023, the District has \$4,664,069 currently invested funds.

**TAX DATA**

**Authorized Taxes**

*Debt Service Tax:* The District covenants in the Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Ad Valorem Tax Collections” below, “AD VALOREM TAXING PROCEDURES,” “RISK FACTORS – Limited Tax”, “RISK FACTORS — Factors Affecting Taxable Values and Tax Payments,” and “THE BONDS — Authority for Issuance.” For the fiscal year ending September 30, 2024, the District has levied a debt service tax in the amount of \$0.3611 per \$100 assessed valuation.

*Maintenance Tax:* The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. For the fiscal year ending September 30, 2024, the District has levied a maintenance tax in the amount of \$0.18053 per \$100 assessed valuation.

**The maximum authorized ad valorem tax rate for all purposes is limited to the lesser of the City Rate or \$0.5785 per \$100 valuation. The maximum authorized ad valorem tax rate for the District for the current fiscal year is \$0.54159, based on the City Rate.**

*Sales and Use Tax:* Chapter 383, Subchapter F, Texas Local Government Code and Chapter 323, Texas Tax Code, authorize the District to levy a sales and use tax at a rate of up to 2% within the District. The District sales and use tax levy is 1.5%. An additional 0.5% is levied by the VIA. Such sales and use tax levied by the VIA is not available for payment of debt service on the Bonds.

*Hotel Occupancy Tax:* The District has the authority to levy a hotel occupancy tax of 9% in the District pursuant to and in accordance with Section 382.155, Texas Local Government Code, as amended and Section 352.107, Texas Tax Code, as amended. The District does not currently levy a hotel occupancy tax.

**Tax Exemptions**

The District has not granted any tax exemptions for property located within the District. However, property within the District may be subject to certain exemptions from ad valorem taxation under State law. See “AD VALOREM TAXING PROCEDURES – Property Subject to Taxation by the District.”

**Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent ad valorem taxes. In connection with that contract, the District can establish an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

**Historical Ad Valorem Tax Collections**

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “AD VALOREM TAXING PROCEDURES — Valuation of Property for Taxation.” The following table displays the ad valorem tax collections of the District since 2020.

**Table 4 – Historical Ad Valorem Tax Collection**

Fiscal Year Ended	Taxable Assessed Valuation					Current Collections		Total Collections	
		Tax Rate	M&O	I&S	Tax Levy	Amount	Percent	Amount	Percent
9/30									
2020	\$ 85,087,643	\$ 0.55827	\$ 0.55827	\$ 0.00000	\$ 465,037	\$ 464,383	99.86%	\$ 464,629	99.91%
2021	108,843,961	0.55827	0.55827	0.00000	591,047	590,846	99.97%	587,631	99.42%
2022	158,210,522	0.55827	0.55827	0.00000	868,657	867,357	99.85%	867,075	99.82%
2023	255,039,661	0.54159	0.18053	0.36106	1,334,356	1,329,798	99.66%	1,340,508	100.46%
2024	330,103,720	0.54159	0.18053	0.36106	1,787,809	In process of collection		In process of collection	

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “AD VALOREM TAXING PROCEDURES — Valuation of Property for Taxation.” The following represents the composition of property comprising the 2020 through 2024 certified taxable assessed valuations.

**Table 5 - Taxable Appraised Values (Fiscal years ending September 30)**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2024		2023		2022	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 315,969,986	56.33%	\$ 218,478,940	50.49%	\$ 119,181,110	43.95%
Real, Vacant Lots/Tracts	4,496,330	0.80%	3,300,467	0.76%	2,043,133	0.75%
Real, Acreage (Land Only)	126,682,293	22.59%	108,632,418	25.11%	84,408,534	31.12%
Farm or Ranch Improvement	16,593,189	2.96%	14,659,161	3.39%	7,360,793	2.71%
Real, Commercial	41,456,521	7.39%	39,258,330	9.07%	29,918,780	11.03%
Personal, Commercial	10,523,686	1.88%	11,110,631	2.57%	912,973	0.34%
Real Property, Inventory	39,380,993	7.02%	32,387,395	7.49%	23,472,640	8.65%
Exempt	5,789,894	1.03%	4,860,275	1.12%	3,907,118	1.44%
Total Appraised Value Before Exemptions	\$ 560,892,892	100.00%	\$ 432,687,617	100.00%	\$ 271,205,081	100.00%
Less: Total Exemptions/Reductions	230,789,172		177,647,956		112,994,559	
Taxable Assessed Value	\$ 330,103,720		\$ 255,039,661		\$ 158,210,522	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2021		2020	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 88,797,780	43.33%	\$ 63,653,635	36.95%
Real, Vacant Lots/Tracts	1,548,584	0.76%	1,899,355	1.10%
Real, Acreage (Land Only)	77,487,155	37.81%	76,497,012	44.40%
Farm or Ranch Improvement	11,511,956	5.62%	5,245,361	3.04%
Real, Commercial	4,920,240	2.40%	2,815,420	1.63%
Personal, Commercial	141,445	0.07%	133,776	0.08%
Real Property, Inventory	17,258,890	8.42%	19,295,815	11.20%
Exempt	3,291,030	1.61%	2,750,850	1.60%
Total Appraised Value Before Exemptions	\$ 204,957,080	100.00%	\$ 172,291,224	100.00%
Less: Total Exemptions/Reductions	96,113,119		87,203,581	
Taxable Assessed Value	\$ 108,843,961		\$ 85,087,643	

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## Significant Taxpayers

The following table represents the significant taxpayers, the type of property, the taxable assessed value of such property, and such property's appraised value as a percentage of the 2023/2024 certified taxable assessed valuation of \$330,103,720. This represents ownership and assessed values as of January 1, 2023. (See "RISK FACTORS — Dependence upon Significant Taxpayers" and "— Factors Affecting Taxable Values and Tax Payments.")

**Table 6 — Significant Taxpayers<sup>(1)</sup>**

Name of Taxpayer	Nature of Property	2023/24 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
HEB Grocery Company LP	Grocery	\$ 31,721,251	9.61%
Cumberland Potranco Joint Venture	Real Estate/Development	10,619,503	3.22%
Lennar Homes of Texas Land & Construction LTD	Real Estate/Development	10,392,210	3.15%
Ladera I LLC	Real Estate/Development	8,505,412	2.58%
SA Liberty Home Builders LLC	Real Estate/Development	4,992,674	1.51%
Perry Homes LLC	Real Estate/Development	4,101,510	1.24%
V & E Management Corp.	Real Estate/Development	2,920,000	0.88%
MM 211 & Grosenbacher LLC	Real Estate/Development	2,814,840	0.85%
Zubha Realty LP	Real Estate/Development	2,626,000	0.80%
Horton Capital Properties LLC	Real Estate/Development	2,348,990	0.71%
		<u>\$ 81,042,390</u>	<u>24.55%</u>

(1) See "RISK FACTORS — Dependence upon Significant Taxpayers" herein.

## Sales and Use Tax

### Source and Authorization

The District is authorized to levy a Sales and Use Tax of up to 2.0% on all taxable transactions within the District. The District Sales and Use Tax levy is 1.5%. The District has pledged the District's Sales and Use Tax, on a subordinate basis, to payment of the Bonds if revenues from the District's ad valorem taxes are insufficient. An additional 0.5% is levied by the VIA. Such sales and use tax levied by the VIA is not available for payment of debt service on the Bonds.

The Comptroller of Public Accounts of the State of Texas (the "Comptroller") began collecting the Sales and Use Tax on transactions within the boundaries of the District in August 2020. The Sales and Use Tax is levied and collected against the receipts from the sale at retail of taxable items within the District. The Sales and Use Tax also is an excise tax on the use, storage, or other consumption of taxable tangible personal property purchased, leased, or rented from a retailer within the District. The imposition, computation, administration, governance, abolition, and use of the Sales and Use Tax is governed by Chapters 151 and 321, Texas Tax Code.

In general, as applied to the Sales and Use Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, personal services, motor vehicle parking and storage services, the repair, remodeling, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling, security services, telephone answering services, and internet access service. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, certain coin-operated machine sales, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential and certain other uses (unless a city has taken steps to repeal the exemption), certain property used in manufacturing, certain telecommunications services, newspapers, magazines, and basic fees for internet access service.

Tax receipts received by the District are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

### Other Sales and Use Taxes

In addition to the local sales and use taxes levied by the District, as described above, the State levies and collects a 6.25% sales and use tax against essentially the same taxable items and transactions as are subject to the District's Sales and Use Tax. Under current State law, the maximum aggregate local sales and use tax which may be levied within a given area by most political subdivisions within such area is 2%, which when added to the State sales and use tax rate of 6.25% equals a total rate of 8.25%. However, because there exists a 0.5% sales and use tax levied by the VIA in the District, only 1.50% of the 2.00% of the District's authorized amount can currently be levied. Thus, purchases made in the District are currently at the maximum combined sales and use tax rate of 8.25%.

The taxable items and services subject to State and local sales and use taxes are subject to legislative action and have been changed in recent years by the Texas legislature. State law provides that the Sales and Use Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

#### **DISTRICT SALES AND USE TAX COLLECTIONS<sup>(1)</sup>**

	Year	Year	Year	Year
	Ending	Ending	Ending	Ending
Month of Receipt	9/30/23	9/30/22	9/30/21	9/30/20
October	\$ 74,316	\$ 28,861 <sup>(2)</sup>	\$ 18,716 <sup>(2)</sup>	\$ -
November	77,525	71,057	47,089	-
December	109,553	85,309	52,888	-
January	75,671	69,697	46,157	-
February	76,984	60,848	44,476	-
March	99,417	74,494	53,101	-
April	81,584	66,520	53,609	-
May	94,728	81,978	71,180	-
June	108,416	100,363	63,810	-
July	92,555	76,695	61,124	-
August	92,698	75,034	66,425	-
September	-	86,721	104,539	554
	<u>\$ 983,446</u>	<u>\$ 877,578</u>	<u>\$ 683,114</u>	<u>\$ 554</u>

<sup>(1)</sup> Source Texas State Comptroller's Website. Figures are exclusive of alcohol sales tax, and reflect deductions already made for administrative costs of the Comptroller.

<sup>(2)</sup> The District participates in an annual "tax holiday", which traditionally takes place during the second weekend of August. During the tax holiday, most clothing, footwear, school supplies and backpacks priced under \$100 are exempt from sales and use taxes.

<sup>(3)</sup> Collection of the Sales and Use Tax in the District began in August 2020.

#### **Hotel Occupancy Taxes**

The District's HOT rate is authorized at 9% pursuant to the Election. The District has not levied the Hotel Occupancy Tax within the boundaries of the District. Under the authority of Section 382.155, Texas Local Government Code and Chapter 352, Tax Code (the "Enabling Acts") the District is authorized to impose the HOT on persons, based upon the price paid, for the use or possession, or right of use or possession, of rooms ordinarily used for sleeping at any hotel in the District. The District HOT may be imposed only for rooms for which the cost of occupancy is a rate of \$2 or more per day and at a rate not to exceed 9% of the price paid for the room. Presently there are no hotels in the District.

If then permitted by law, the District may by order, repeal, increase or decrease the rate of the HOT imposed at any time, subject to the current maximum rate of 9%. However, the District reserves the right to use any available HOT revenues.

Under the Enabling Acts, "hotel" means any building or buildings in which the public may, for consideration, obtain sleeping accommodations. The term includes hotels, motels, tourist homes, tourist houses, tourist courts, lodging houses, inns, rooming houses, bed and breakfasts, or other buildings where rooms are furnished for a consideration, but does not include hospitals, sanitariums or nursing homes. The consideration paid for the room, for purposes of the Enabling Acts, includes the cost of the room only if the room is one ordinarily used for sleeping, and does not include the cost of any food served or personal services rendered to the occupant of such room not related to the cleaning and readying of such room for occupancy. To be subject to the District HOT, the occupant's use, possession or right to the use or possession of the sleeping room must be for a period of less than 30 consecutive days. Certain housing facilities owned or leased and operated by an institution of higher education are excluded. Hotels and other eligible vendors of sleeping accommodations are required to collect the District HOT at the time room charges are received from patrons.

#### **Other Hotel Occupancy Taxes**

Other provisions of the Texas Tax Code authorize the State, counties, cities and other political subdivisions meeting certain specified qualifications to impose hotel occupancy taxes similar to the District's HOT. Currently, a hotel in the District would be subject to a 6% hotel occupancy tax imposed by the State on all short-term (30 days or less) room rentals costing \$2 or more per day. However, there are currently no hotels in the District.

## AD VALOREM TAXING PROCEDURES

### Authority To Levy Taxes

The District is authorized to levy an annual ad valorem tax, at a maximum rate equal to the lesser of the City Rate (\$0.54159 for the current fiscal year) or \$0.5785 per \$100 valuation, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any other bonds payable from ad valorem taxes which the District has issued or may hereafter issue. See “RISK FACTORS – Limited Tax” and “THE BONDS – Authority for Issuance” and to pay the expenses of assessing and collecting such taxes. The District agrees in the Resolution to levy, assess, and collect such a tax from year-to-year as described more fully herein. See “THE BONDS – Source of Payment.” The District has established its fiscal year 2023/2024 tax rate of \$0.54159 with a debt service tax rate of \$0.18053 and a maintenance and operation tax rate of \$0.3611. There is no guarantee that the City Rate may not decline in future years. However, in any event, the District tax rate will be limited to the lesser of the City Rate or the maximum rate allowable pursuant to its voted election proposition (see “RISK FACTORS”).

### Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (“Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Bexar County Appraisal Review Board (the “Appraisal Review Board”).

### Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the

debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption. See “TAX DATA – Tax Exemptions.”

On July 13, 2023, during the Second Special Session, the 88<sup>th</sup> Texas Legislature passed 2023 SB 2, which, among other things, includes provisions that prohibit an appraisal district 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 million dollars (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 (collectively, the “appraisal cap”). 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 the consumer price index, as applicable, to the maximum property value.

*Freeport Goods and Goods-in-Transit Exemption:* A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said 35 property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property.

Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

#### **Tax Abatement**

The County is statutorily prohibited from granting a tax abatement or entering into a tax abatement agreement for any area within the District.

#### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation, or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary

exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. 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 District is responsible for the levy and 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District. The delinquent tax also accrues interest at a rate of 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 under certain circumstances which, at the option of the District, may be rejected. The District has rejected such provisions and does not permit split payments nor provide discounts for early payments. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

### **Tax Payment Installments after Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Additionally the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

### **Rollback of Operation and Maintenance Tax Rate**

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION (UNAUDITED)" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

### **Special Taxing Units**

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

### **Developed Districts**

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

## **Developing Districts**

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

## **The District**

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board has determined that the District status is that of a developing district. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

## **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District 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 each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "SELECTED FINANCIAL INFORMATION (UNAUDITED) – Estimated Overlapping Debt"). 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 District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District 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 District 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural use property and within six months for all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records.

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 enforcement of liens for post-petition taxes 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.

## **Collection and Administration**

The Comptroller administers and enforces all sales and use tax laws and collects all sales and use taxes levied by the State, and levying counties, political subdivisions and other special districts having sales and use tax powers. Certain limited items are taxed for the benefit of the State under sales and use tax statutes, such as certain natural resources and other items described above, and are not subject to the local sales and use tax of political subdivisions and counties, including the District. Political subdivisions may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales and use tax, while political subdivisions, on a local option basis, may tax such use. The District has opted to tax telecommunication services. The District has not opted to tax residential uses of gas and electricity.

In recent years, several changes in the State sales and use tax laws have contributed to the growth of local sales and use tax revenues. These changes have added goods and services to the list of taxable items. Other items have been subjected to sales and use tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more in sales and use tax dollars for a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 in sales and use tax dollars for a calendar month or \$1,500 in a calendar quarter submit their tax collections quarterly. Generally, taxpayers are required to submit tax reports to the Comptroller on the same date as payment is due. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible, but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly to the District. The Comptroller has a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may submit an application to the Comptroller. The District participates in this program.

Under State law, the Comptroller utilizes sales and use tax permits, sales and use tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing, or otherwise providing taxable goods or services is required to have a sales and use tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year. As a general rule, every person who applies for a sales and use tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing each of the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use taxes in the State annually), every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced

collection procedures, such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General to file suit for collection. A political subdivision, including the District, may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2 of 1% of the amount of taxes due on a timely return as reimbursement for the cost of collecting sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made may deduct and withhold 1.75% of the amount of the prepayment in addition to the 1/2 of 1% allowed for the cost of collecting the sales and use tax.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE OF TEXAS, THE COUNTY, THE CITY; NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS.

## **MUNICIPAL BOND RATING**

Moody's Investor Services ("Moody's") has assigned a rating of "Baa3" to the Bonds. An explanation of the significance of the rating may be obtained from Moody's. The rating and any other rating received by the Bonds or the District reflects only the view of such rating agency at the time such rating is given, and the District makes no representation as to the appropriateness of such rating. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of this or any other rating on the Bonds or the District may have an adverse effect on the market price of applicable series of the Bonds.

If a municipal bond insurance policy guaranteeing payment of the Bonds is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the insurance provider and its claims-paying ability. This Official Statement will disclose whether any insurance policy has been purchased by the District and the financial ratings of the insurance provider.

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinions of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinions of Bond Counsel, to a like effect and addressing the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "PLAN OF FINANCE," "THE BONDS," "THE DISTRICT — General," "AD VALOREM TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. General Counsel has reviewed the information under "PLAN OF FINANCE," "THE DISTRICT," "MANAGEMENT — Board of Directors," "LEGAL MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel and General Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District or the Developers for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel'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 information contained herein.

Certain legal matters incident to the authorization, issuance, placement, and delivery of the Bonds by the District are subject to the approving opinions of the Attorney General and the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B and will be available at the time of delivery of the Bonds. Other than the limited review of certain information in this Official Statement as described in the preceding paragraph and Bond Counsel's legal opinions set forth herein, Bond Counsel has not reviewed nor undertakes any responsibility for any of the information contained in this Official Statement. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued. Certain legal matters will be passed upon for the District by Davidson Troilo Ream & Garza, P.C., San Antonio, Texas, as its General Counsel. Certain legal matters will be passed upon for the Underwriter by Locke Lord LLP, Dallas, Texas, whose legal fees are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Winstead PC, San Antonio, Texas, whose legal fees are contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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 Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there has been no material adverse change in the financial condition of the District from that set forth or contemplated in the Official Statement.

## **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the District, and dated as of the Delivery Date of the Bonds, to the effect that no litigation of any nature is pending or threatened, either in state or federal courts, contesting or attacking the Bonds, restraining or enjoining the levy, assessment and collection of taxes to pay the interest on the principal of the Bonds, in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds, or affecting the validity of the Bonds or the title of the present officers of the District.

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement).

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

### **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Tax Assessor/Collector, the Appraisal District, the County, and other sources. The information set forth under the subcaptions "THE DISTRICT – Master Development Plan" and "THE DISTRICT – Status of Development, Home Building Program and Community Facilities," and the heading "THE DEVELOPERS" has been provided by the Developers, and none of the District, the Financial Advisor or the Underwriter have undertaken to verify such information, and the District, the Financial Advisor or the Underwriter make no representations about the accuracy or completeness of the information contained under the "THE DISTRICT – Master Development Plan" and "THE DISTRICT – Status of Development, Home Building Program and Community Facilities," and the heading "THE DEVELOPERS." All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering, and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Updating the Official Statement**

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### **Certification of Official Statement**

Officers of the District, acting in their official capacity, will certify, that the information, statements, and descriptions or any addenda, supplement, and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has

no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing such certificate such state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants, and representatives of the District.

All estimates, statements, and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Resolution, the District has made the following agreement for the benefit of the beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information will be available at no charge via EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org). HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. has been engaged to assist with continuing disclosure services for the District.

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB on a periodic basis. Such information will be provided to the MSRB through EMMA within twelve months after the end of each Fiscal Year ending in or after 2023. The continuing disclosure information is available to the public, without charge through the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the Tables numbered 1 through 6 and the District's audited financial statements shown as APPENDIX A.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial information as noted in the Tables referenced in the paragraph above for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Resolution, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by September 30 in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The District will provide notice of the MSRB of the following events with respect to the Bonds within ten business days after the occurrence of any such event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds, if applicable; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of Rule 15c2-12, 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 District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, 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 District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under Rule 15c2-12. The term "material" when used in this paragraph has the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

### **Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

## Limitations and Amendments

The District has undertaken to update information and to provide notices of material events only as described above. The District 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 District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District 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 beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its undertaking.

The District may amend its continuing disclosure undertaking 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 operations of the District but only if the undertaking, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments and interpretations of Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the owners of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the undertaking if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the undertaking, it has agreed to include with any financial information or operating data next provided in accordance with its undertaking 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 financial information and operating data so provided.

## Compliance with Prior Undertakings

The District previously entered into agreements to provide continuing disclosure in accordance with Rule 15c2-12. in connection with the issuance of the Series 2021 Bonds and the Series 2022 Bonds. The District has complied in all material respects with such agreements.

## OTHER INFORMATION

### Litigation

It is the opinion of the District’s General Counsel that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

As previously noted, there is ongoing litigation between the Developers in the District, **this litigation may negatively impact land sales and the development of taxable improvements within the District, impairing the expected future tax revenue growth in the District.** See “RISK FACTORS – Litigation Amongst Developers” herein.

### Registration and Qualification of Bonds for Sale

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds may not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from District records, 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.

### Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’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 District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District’s actual results could differ materially from those discussed in such forward-looking statements.

### Underwriting

The Underwriter has agreed to purchase the Bonds subject to certain conditions contained in the Purchase Contract at an aggregate purchase price of \$\_\_\_\_\_ (which takes into account an Underwriter’s discount of \$\_\_\_\_\_ and premium of \$\_\_\_\_\_). The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

### General

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

## **MISCELLANEOUS**

All estimates, statements, and assumptions in this Official Statement and the appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

The Resolution will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Underwriter in accordance with the provisions of Rule 15c2-12.

## **WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**

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President, Board of Directors  
Westside 211 Special Improvement District

ATTEST:

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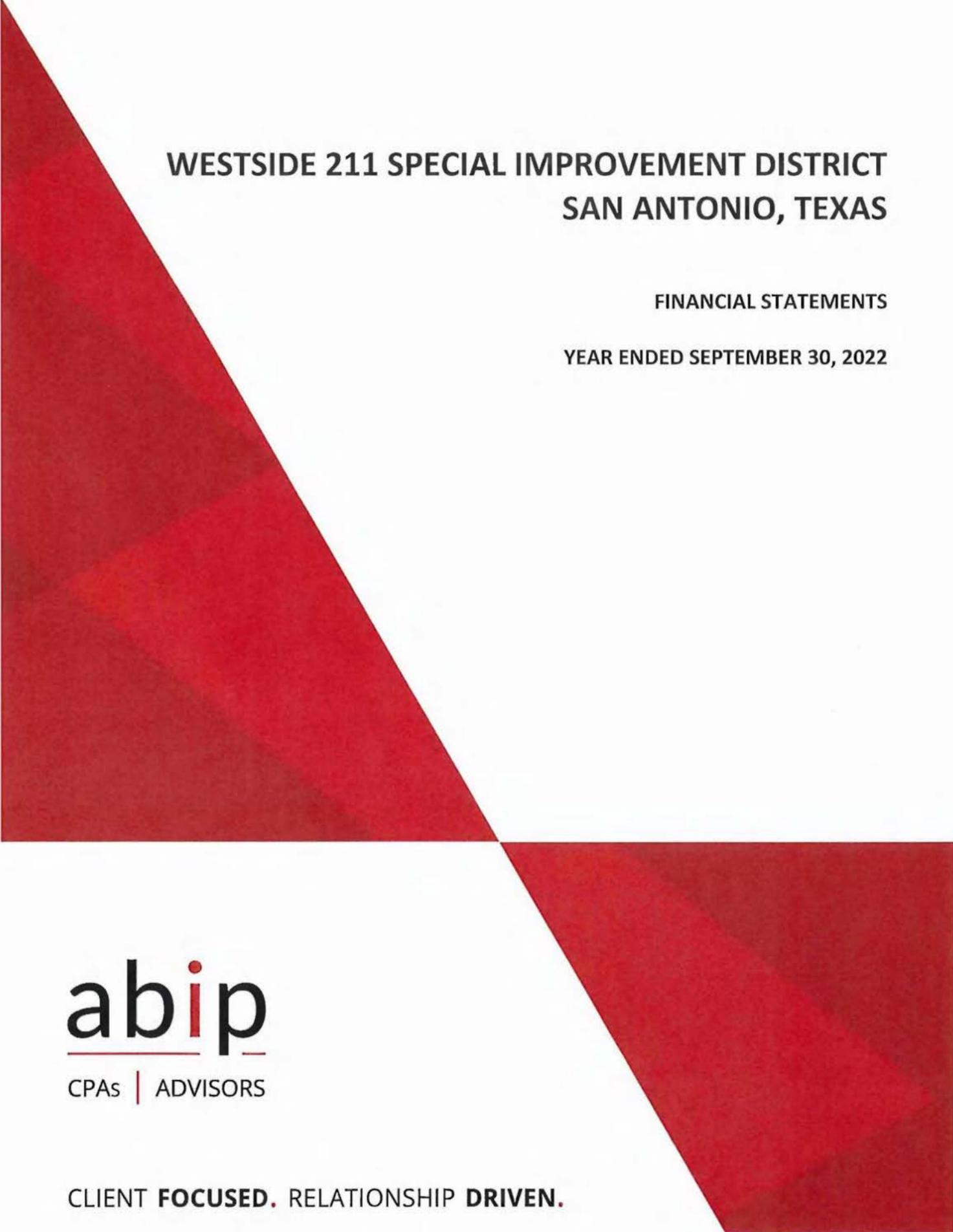
Secretary, Board of Directors  
Westside 211 Special Improvement District

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDED SEPTEMBER 30, 2022**

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WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT  
SAN ANTONIO, TEXAS

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

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# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

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September 30, 2022

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Westside 211 Special Improvement District  
San Antonio, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund, and aggregate remaining fund information of the Westside 211 Special Improvement District (the District) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and aggregate remaining fund information of the Westside 211 Special Improvement District as of September 30, 2022 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. 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 generally accepted 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 5D and the budgetary comparison information for the general fund on page 25 be presented to supplement the basic financial statements. Such information, 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 District's basic financial statements. The budgetary schedule for the debt service fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule for the debt service fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

ABIP, PC

San Antonio, Texas  
March 27, 2023

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# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

September 30, 2022

The Westside 211 Special Improvement District (the District) offers readers this narrative overview and analysis of its financial performance as of and for the year ended September 30, 2022. Readers are encouraged to consider the information presented here in conjunction with the District’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

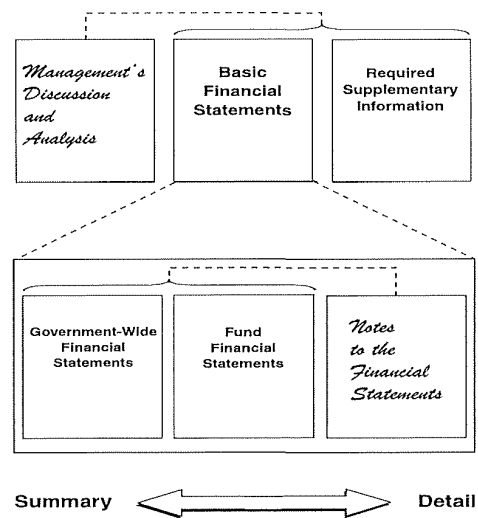
- The District’s government-wide unrestricted net position was a deficit (\$59,100,405) at September 30, 2022. This was a decrease of (\$19,205,984) from the period ended September 30, 2021.
- Expenses for the year ended September 30, 2022 were \$22,608,509. Included in expenses was \$3,649,850 in interest owed to Bexar County and developers as well as \$18,870,778 in economic development expenses in the District.
- The general fund reported a total fund balance of \$3,236,196 at September 30, 2022, compared to \$7,200,079 at September 30, 2021. Total revenues were \$3,401,672 and total expenditures were \$19,067,285.
- The District issued Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds, Series 2021 in the amount of \$12,265,000. The primary purpose for the issuance was to reimburse Bexar County and developer advancements.
- During the fiscal year, the District approved 6 submittals from developers in the amount of \$9,263,172.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

Figure A-1, Required Components of the District’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

### **Government-Wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The statement of net position includes all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, additional nonfinancial factors; such as, changes in District's tax base, should be considered.

The statement of activities presents information showing how the District's net position changed during the period. All revenues and expenses are accounted for in this statement regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes).

The government-wide financial statements include only governmental activities since the District does not have any business type activities. The District's basic services are included here, which consist of, among other things, paying administrative expenses, levying taxes; and, borrowing money, for the purpose of financing its portion of the Public Improvement Project costs.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. The District currently maintains two funds: general fund and debt service fund, which are both governmental funds.

Governmental funds – used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, unlike the government-wide financial statements, governmental fund financial statements provide a detailed short-term view that may be useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's services. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide a reconciliation on the subsequent page of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance to explain the relationship (or differences) between governmental funds and governmental activities.

## Other Information

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule is presented as required supplementary information (RSI) in this report.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position and Change in Net Position:

Net position may serve over time as a useful indicator of a government's financial position. The District's net position at September 30, 2022 was (\$59,100,405) (see Table A-1).

**TABLE A-1**  
**THE DISTRICT'S NET POSITION**

	GOVERNMENTAL ACTIVITIES		AMOUNT	PERCENTAGE
	2022	2021	CHANGE	CHANGE
Current assets	\$ 8,088,812	\$ 7,203,378	\$ 885,434	12.29 %
Total assets	<u>8,088,812</u>	<u>7,203,378</u>	<u>885,434</u>	<u>12.29</u>
Current liabilities	5,151,604	3,000	5,148,604	333,166.63
Noncurrent liabilities	<u>62,037,613</u>	<u>47,094,799</u>	<u>14,942,814</u>	<u>21.44</u>
Total liabilities	<u>67,189,217</u>	<u>47,097,799</u>	<u>20,091,418</u>	<u>42.66</u>
Unrestricted net position (deficit)	<u>(59,100,405)</u>	<u>(39,894,421)</u>	<u>(19,205,984)</u>	<u>48.14</u>
Total net position (deficit)	<u>\$ (59,100,405)</u>	<u>\$ (39,894,421)</u>	<u>\$ (19,205,984)</u>	<u>48.14 %</u>

#### Governmental Activities

The District's total revenues were \$3,402,525 (see Table A-2), primarily consisting of property taxes, sales taxes, and ROW reimbursements.

The District's total expenses were \$22,608,509, with \$18,870,778, or 83%, representing developer submissions approved by the board.

The District reflects a negative change in net position of (\$19,205,984), which is primarily attributable to the interest on amounts owed to developers.

**TABLE A-2**  
**CHANGES IN THE DISTRICT'S NET POSITION**

	GOVERNMENTAL ACTIVITIES		AMOUNT	PERCENTAGE
	2022	2021	CHANGE	CHANGE
REVENUES				
General revenues				
Property taxes levied for general purposes	\$ 883,181	\$ 587,176	\$ 296,005	50.41 %
Sales taxes	877,578	683,114	194,464	28.47
Interest income	21,504	597	20,907	3,502.01
Program revenues				
Operating grants and contributions	<u>1,620,262</u>	<u>-</u>	<u>1,620,262</u>	<u>100.00</u>
Total revenues	<u>3,402,525</u>	<u>1,270,887</u>	<u>2,131,638</u>	<u>167.73</u>
EXPENSES				
General government	87,881	57,107	30,774	53.89
Economic development	18,870,778	4,675,993	14,194,785	303.57
Interest and fees	<u>3,649,850</u>	<u>14,587,819</u>	<u>(10,937,969)</u>	<u>(74.98)</u>
Total expenses	<u>22,608,509</u>	<u>19,320,919</u>	<u>3,287,590</u>	<u>17.02</u>
Change in net position	<u>(19,205,984)</u>	<u>(18,050,032)</u>	<u>(1,155,952)</u>	<u>6.40</u>
BEGINNING NET POSITION (DEFICIT)	<u>(39,894,421)</u>	<u>(21,844,389)</u>	<u>(18,050,032)</u>	<u>82.63</u>
ENDING NET POSITION (DEFICIT)	<u>\$ (59,100,405)</u>	<u>\$ (39,894,421)</u>	<u>\$ (19,205,984)</u>	<u>48.14 %</u>

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As stated earlier, the District uses fund accounting for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The general fund is the chief and only operating fund of the District and was established to account for resources that finance the fundamental operations of the District. At the end of the fiscal year ended September 30, 2022, the general fund's fund balance totaled \$3,236,196, which is entirely classified as unassigned for continuing operations.

Revenues from governmental fund types totaled \$3,401,672, primarily from property taxes, sales taxes, and ROW reimbursements.

#### General Fund Budgetary Highlights

The Board of Directors adopts a budget for the general fund. At September 30, 2022, the District exceeded budgeted appropriations in the general fund by \$1,155,910, this was due to unanticipated reimbursements to developers and Bexar County.

## DEBT ADMINISTRATION

### Long-Term Liabilities

At September 30, 2022, the District's debt totaled \$67,114,442. The District will pay all interest costs and cost of issuances associated with the County's Pass-Through Revenue and Limited Tax Bonds, Series 2017 and County's Pass-Through Revenue and Limited Tax Bonds, Series 2021. The District will also reimburse the County for bond principal overages that exceed amounts committed by TxDOT. In addition, the District will owe developers for advances to the District and eligible improvement project expenses incurred on behalf of the District, plus accrued interest. The District also has bonds outstanding that is funded by future property and sales tax revenues.

**TABLE A-3  
THE DISTRICT'S DEBT**

	Governmental Activities	
	2022	2021
Due to County	\$ -	\$ 1,207,267
Due to developers	55,224,442	45,887,532
Bonds payable	<u>11,890,000</u>	<u>-</u>
Total debt	<u>\$ 67,114,442</u>	<u>\$ 47,094,799</u>

Additional information on the District's debt can be found in note 4 in the notes to financial statements.

### ECONOMIC FACTORS AND OTHER MATTERS

For the fiscal year 2022-2023, the District approved a total property tax rate of \$0.54161 which was a decrease of \$0.01666 from the 2021-2022 tax rate. Further, this is the District's first fiscal year to adopt a debt service tax rate of \$0.30000 per \$100 property valuation to be used to fund debt service costs associated with the bonds.

Taxable property values for 2022-2022 are expected to increase slightly due to development in the District.

### REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's General Counsel at Davidson, Troilo, Ream & Garza, P.C. 601 NW Loop 410, Suite 100, San Antonio 78216.

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## **BASIC FINANCIAL STATEMENTS**

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**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

**September 30, 2022**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Current assets	
Cash	\$ 2,856,864
Property taxes - delinquent	1,152
Due from state - sales taxes	161,755
Other receivable	202,207
Restricted cash	<u>4,866,834</u>
Total current assets	<u>8,088,812</u>
 Total assets	 <u><u>\$ 8,088,812</u></u>
<u>LIABILITIES AND NET POSITION</u>	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 8,569
Interest payable	<u>41,640</u>
Total current liabilities	<u>50,209</u>
Noncurrent liabilities	
Due within one year	5,101,395
Due in more than one year	<u>62,037,613</u>
Total noncurrent liabilities	<u>67,139,008</u>
 Total liabilities	 <u>67,189,217</u>
NET POSITION	
Unrestricted net position (deficit)	<u>(59,100,405)</u>
 Total liabilities and net position	 <u><u>\$ 8,088,812</u></u>

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

# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended September 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
			PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
Primary government:			
Governmental activities			
General government	\$ (87,881)	\$ -	\$ (87,881)
Economic development	(18,870,778)	1,620,262	(17,250,516)
Interest and fees	<u>(3,649,850)</u>	<u>-</u>	<u>(3,649,850)</u>
Total governmental activities	<u>\$ (22,608,509)</u>	<u>\$ 1,620,262</u>	(20,988,247)
General revenues:			
Taxes:			
Property taxes, levied for general purposes			883,181
Sales taxes			877,578
Interest income			<u>21,504</u>
Total general revenues			<u>1,782,263</u>
Change in net position			(19,205,984)
NET POSITION – BEGINNING			<u>(39,894,421)</u>
NET POSITION – ENDING			<u>\$ (59,100,405)</u>

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

**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUND**

**September 30, 2022**

	<u>GENERAL FUND</u>	<u>NONMAJOR DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash	\$ 2,856,864	\$ -	\$ 2,856,864
Property taxes - delinquent	1,152	-	1,152
Due from state - sales taxes	161,755	-	161,755
Other receivable	202,207	-	202,207
Restricted cash	<u>4,866,834</u>	<u>-</u>	<u>4,866,834</u>
 Total assets	 <u>\$ 8,088,812</u>	 <u>\$ -</u>	 <u>\$ 8,088,812</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,069	\$ 3,500	\$ 8,569
Due to Developers	<u>4,846,395</u>	<u>-</u>	<u>4,846,395</u>
Total liabilities	<u>4,851,464</u>	<u>3,500</u>	<u>4,854,964</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>1,152</u>	<u>-</u>	<u>1,152</u>
<b>FUND BALANCES</b>			
Unassigned fund balance	<u>3,236,196</u>	<u>(3,500)</u>	<u>3,232,696</u>
Total fund balances	<u>3,236,196</u>	<u>(3,500)</u>	<u>3,232,696</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 8,088,812</u>	 <u>\$ -</u>	 <u>\$ 8,088,812</u>

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

**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

**September 30, 2022**

Total fund balances - governmental fund		\$	3,232,696
Amounts reported for governmental activities in the statement of net position are different because:			
Accrued interest payable on long-term bonds are not due and payable in the current period, and therefore, not reported in the funds.			
			(41,640)
Transactions related to noncurrent liabilities:			
Issuance of bonds and related premiums	\$	(11,914,566)	
Amounts due to Developers for eligible project expenses		(24,285,250)	
Interest accrued on eligible project expenses		<u>(26,092,797)</u>	(62,292,613)
Property tax receivable is unavailable to pay for current period expenditures and therefore is deferred in the governmental fund.			
			<u>1,152</u>
Total net position - governmental activities		\$	<u>(59,100,405)</u>

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

**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUND**

**Year ended September 30, 2022**

	GENERAL FUND	NONMAJOR DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 882,328	\$ -	\$ 882,328
Sales taxes	877,578	-	877,578
Operating contributions	1,620,262	-	1,620,262
Interest income	<u>21,504</u>	<u>-</u>	<u>21,504</u>
Total revenues	<u>3,401,672</u>	<u>-</u>	<u>3,401,672</u>
EXPENDITURES			
Current:			
General government	87,881	-	87,881
Economic development	18,346,636	-	18,346,636
Debt service:			
Principal	-	375,000	375,000
Interest	-	213,645	213,645
Issuance costs and fees	<u>632,768</u>	<u>3,538</u>	<u>636,306</u>
Total expenditures	<u>19,067,285</u>	<u>592,183</u>	<u>19,659,468</u>
Excess (deficiency) of revenues over expenditures	(15,665,613)	(592,183)	(16,257,796)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issuance	12,265,000	-	12,265,000
Premium on bond issuance	25,413	-	25,413
Transfers in	-	588,683	588,683
Transfers out	<u>(588,683)</u>	<u>-</u>	<u>(588,683)</u>
Total other financing sources (uses)	<u>11,701,730</u>	<u>588,683</u>	<u>12,290,413</u>
Net change in fund balance	<u>(3,963,883)</u>	<u>(3,500)</u>	<u>(3,967,383)</u>
FUND BALANCE – BEGINNING	<u>7,200,079</u>	<u>-</u>	<u>7,200,079</u>
FUND BALANCE – ENDING	<u>\$ 3,236,196</u>	<u>\$ (3,500)</u>	<u>\$ 3,232,696</u>

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

**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**

**Year ended September 30, 2022**

Net change in fund balances - governmental fund	\$	(3,967,383)
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Amounts reported for governmental activities in the statement  
of activities are different because:

Accrued interest payable on County bonds and developer advances  
which are not due in the current period are not reported in the  
governmental fund.

Interest accrued in current year - bonds	\$	(41,640)	
Interest accrued in current year on developer submissions		(3,778,314)	
Repayment of accrued interest on developer submissions		<u>1,019,208</u>	
			(2,800,746)

Long-term payables on approved developer submissions which are not  
due in the current period are not reported in the governmental fund.

Approved submissions by developers	\$	(9,263,172)	
Repayment of submissions by developers		<u>7,531,763</u>	
			(1,731,409)

Long-term payables on County bond projects which are not due in  
the current period are not reported in the governmental fund.

This is the change in these amounts this year.	1,207,267
--	-----------

The issuance of long-term debt provides current financial resources to  
governmental funds, but is a liability in the governmental activities.

(12,290,413)

The repayment of long-term debt (i.e. bonds, premiums) provides current  
financial resources to governmental funds, but is a liability in the  
governmental activities.

375,847

Certain property tax revenues are deferred in the governmental fund.

This is the change in these amounts this year.

853

Change in net position of governmental activities

\$ (19,205,984)

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

# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### (1) Summary of significant accounting policies

The Westside 211 Special Improvement District (District) is a public improvement district created by an order of the Commissioners Court of Bexar County on August 30, 2007, pursuant to Chapter 372, Subchapter C of the Texas Local Government Code (the Act). The District was created to serve the public purpose of economic development and, specifically, provide new jobs, expand commercial development, attract retail facilities, construct residential housing and improvement; and to construct State Highway 211 and Potranco Road.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Government Accounting Standards Board (GASB).

#### Reporting entity

The Board of Directors (Board) comprised of seven members, as appointed by the Bexar County Commissioners Court, has the control over and management supervision of all affairs of the District. Therefore, the District is a financial reporting entity as defined by the GASB and is not included in any other governmental reporting entity.

#### Basis of accounting and financial statement presentation

##### Basis of presentation

Government-wide statements: The statement of net position and the statement of activities are government-wide financial statements. They report information on all of the District's activities. The District's governmental activities programs are primarily supported by property taxes.

The statement of activities demonstrates how other parties or entities that participate in programs the District operates have shared in the payment of the direct costs. Thus, the purpose is to show the degree to which the direct expenses of a given function are offset by program revenues, if any. Direct expenses are those that are clearly identifiable with a particular function. Revenues that are not classified as program revenues are presented as general revenues (i.e. property taxes).

Fund financial statements: The fund financial statements provide information on the financial condition and results of operations for the District's major governmental fund:

General fund: This is the District's primary operating fund that is used to account for all financial resources. Major revenue sources include local property taxes and interest earnings. Expenditures include all costs associated with the daily operations of the District.

The District also has the following governmental funds:

Debt service fund: This fund amounts for all financial resources restricted for the payment of principal and interest of long-term obligations of the District.

# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### (1) Summary of significant accounting policies (continued)

#### Basis of accounting and financial statement presentation (continued)

##### Measurement focus, basis of accounting

Government-wide statements: The financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements: These financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period. Expenditures are recorded when the fund liability is incurred, if measurable. However, debt service expenditures are recorded only when payment is due. Property tax revenue is recognized under the susceptible to accrual concept since they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Interest income is recorded as earned, since it is both measurable and available.

#### Financial statement amounts

##### Property taxes

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

Delinquent taxes are based on rates adopted for the year of the levy. The District does not report an allowance for uncollectible taxes receivable since the amount is not considered material as of the year end. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

##### Capital assets

Capital assets, which include construction in progress, are reported in the governmental activities column in the government-wide financial statements. All costs associated with public improvement projects are capitalized with the exception of accrued interest, which is not capitalized for governmental activities. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### (1) Summary of significant accounting policies (continued)

#### Financial statement amounts (continued)

##### Fund balance

In accordance with GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the District uses the following criteria when classifying fund balance amounts:

*Nonspendable* – amounts not in spendable form or that are legally or contractually required to be maintained intact. The District does not have any amounts in this category at September 30, 2022.

*Restricted* – amounts that have been legally separated for a specific purpose by law or external funding source, such as long-term debt and grants. The District does not have any amounts in this category at September 30, 2022.

*Committed* – amounts that require Board action to be used for a specific purpose. Formal action to commit funds must occur prior to year-end and can only be modified or removed by the same formal action. The District does not have any amounts in this category at September 30, 2022.

*Assigned* – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority. These amounts do not meet the criteria to be classified as restricted or committed. The District does not have any amounts in this category at September 30, 2022.

*Unassigned* – residual amount in the general fund that is available to finance operating expenditures. At September 30, 2022, the total fund balance amount reported in the general fund of \$3,236,196 is classified as unassigned.

If the District were to incur an expenditure for purposes in which both restricted and unrestricted fund balances were available, restricted resources would be utilized first.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred outflows/inflows of resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports a deferred inflow of resources for unavailable revenue-property taxes in the governmental fund balance sheet. The amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

## WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS

September 30, 2022

#### (1) Summary of significant accounting policies (continued)

##### Hotel occupancy taxes

The District is authorized to levy a hotel occupancy tax at a rate equal to the greater of the rate levied by the City of San Antonio (City) or 9% of the amount paid for the use and occupancy of a room in a hotel or motel within the District. During the period, no such taxes were collected or recognized.

##### Sales and use taxes

The District is authorized to levy a sales and use tax at a rate of 2% on all taxable sales within the District; however, it is currently levied at 1.5%.

##### Priority use of available revenues

The District's available revenues shall be applied in the following order:

- a) To pay administrative expenses of the District pursuant to its annual budget.
- b) To pay any debt service on outstanding bond issues.
- c) To pay the County for the District's portion of the Road Improvement Project (Project) costs.
- d) To pay the County for the District's portion of increased Project costs caused by unforeseen circumstances and/or enforcement costs.
- e) To pay any District indemnity obligations.
- f) To pay the developers for reimbursements of eligible expenses, plus interest.
- g) To pay any non-owner requested funds, as approved by the District's Board.

#### (2) Budgetary data

The Board adopts a budget for the general fund and presents the original adopted and final amended budget for revenues and expenditures and compares the actual revenues and expenditures in the accompanying financial statements to the final amended budget amounts. At September 30, 2022, the District exceeded total appropriations in the general fund by \$1,155,910.

#### (3) Cash

At September 30, 2022, cash consists of demand deposits with a carrying amount of \$7,723,698 and a bank balance of \$7,724,987. Of this amount, the District held \$4,866,634 as restricted cash from bond proceeds held on behalf of the developer. The District's bank deposits were entirely covered by FDIC insurance or by securities collateral held in the District's name during the year.

# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### (4) Long-term liabilities

#### Due to County

The County entered into a pass-through financing agreement with the Texas Department of Transportation (TxDOT); whereby, the County is expected to issue County bonds to finance and construct the Road Improvement Project (Project) and TxDOT will reimburse the County for certain construction expenses. The total maximum cumulative reimbursement for the Project is \$37,500,000 and \$18,100,000 for phase 1 (Potranco) and phase 2 (Highway 211) of the Project, respectively; totaling \$55,600,000, which will be used to pay the principal on the County bonds.

The District entered into an agreement with the County to pay all interest costs, reserve deposits, and cost of issuance associated with the County bonds and any principal amounts that exceed the TxDOT payment; however, the District has no obligation to pay any principal amounts in excess of \$73,220,000 reduced by the TxDOT payment, or the interest on any amounts in excess of \$45,387,438. If project costs (i.e., construction, issuance costs, and accrued interest) exceed 10% of the TxDOT payment, the District and County may redesign, provide additional funding, or terminate obligations under the agreement. In November 2017, Bexar County issued \$40,480,000 in Pass-Through Revenue and Limited Tax Bonds, Series 2017 for phase 1 (Potranco). In addition, in December 2021, the County issued \$14,940,000 in Pass-Thru Revenue and Limited Tax Bonds, Series 2021 for phase 2 (Highway 211). As of September 30, 2022, the District paid \$9,708,279 to the County and the liability was \$0 at September 30, 2022.

#### Due to developers

On July 13, 2010, the District entered into a Public Improvement Financing Agreement with the developers, for the reimbursement of public improvements and amounts advanced to the District for eligible project expenses. Interest accumulates on unreimbursed costs at a rate of interest equal to the 10-year Treasury rate, plus 6.25% per annum, compounded monthly, accruing from the date of payment by the developer. Interest accrued was computed based on interest rates varying from 6.80% to 11.03%. As of September 30, 2022, the amount due to the project owners is \$55,224,442, which includes \$21,246,403 of accrued interest.

Balance - October 1, 2021	\$ 50,733,927
Add: Board approved eligible expenses in current year	9,263,172
Reduce: Board approved removal of expenses on prior submissions	(7,531,763)
Add: Interest accrued in current year	3,778,314
Reduce: Interest accrued for removed expenses on prior submissions	(1,019,208)
Balance - September 30, 2022	<u>\$ 55,224,442</u>
Amount due within one year	<u>\$ -</u>

#### Bonds payable

During the fiscal year 2022, the District issued Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds, Series 2021 in the amount of \$12,265,000. The primary purpose for the issuance was to reimburse Bexar County and developer submissions.

# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### (4) Long-term liabilities (continued)

Bonds payable (continued)

Future maturities of the bonds are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principle	Interest	Total
2023	\$ 255,000	\$ 332,819	\$ 587,819
2024	260,000	327,719	587,719
2025	265,000	322,519	587,519
2026	270,000	317,219	587,219
2027	280,000	311,819	591,819
2028 - 2032	1,480,000	1,471,607	2,951,607
2033 - 2037	1,675,000	1,264,500	2,939,500
2038 - 2042	1,950,000	997,350	2,947,350
2043 - 2047	2,615,000	681,450	3,296,450
2048 - 2051	2,840,000	216,000	3,056,000
	<u>\$ 11,890,000</u>	<u>\$ 6,243,002</u>	<u>\$ 18,133,002</u>

The District's liabilities consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
<u>Governmental Activities</u>					
Long-Term Debt					
Bonds payable:					
Limited Tax Revenue					
Bonds, Series 2021	\$ -	\$ 12,265,000	\$ (375,000)	\$ 11,890,000	\$ 255,000
Premium on Bond	-	25,413	(847)	24,566	-
Total bonds payable	-	12,290,413	(375,847)	11,914,566	255,000
Other long-term liabilities					
Due to County	1,207,267	8,501,012	(9,708,279)	-	-
Due to Developer	45,887,532	17,887,882	(8,550,972)	55,224,442	4,846,395
Total other long-term debt	47,094,799	26,388,894	(18,259,251)	55,224,442	4,846,395
Total governmental activities	<u>\$ 47,094,799</u>	<u>\$ 38,679,307</u>	<u>\$ (18,635,098)</u>	<u>\$ 67,139,008</u>	<u>\$ 5,101,395</u>

## WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS

September 30, 2022

#### (5) Interfund transfers

The District reported interfund transfers between the general fund and debt service fund of \$588,683 during the year ended September 30, 2022. The purpose of this transfer was for debt service obligations.

#### (6) Risk management

The District is exposed to various risks of loss related to errors and omissions for which the District carries commercial insurance. Settled claims resulting from risks of loss have not exceeded insurance coverage.

#### (7) Contingencies and commitments

##### Legal proceedings

From time to time, the District may be a defendant in legal proceedings relating to its operations. It is the opinion of the District's general counsel that there is no pending litigation against the District that would have a material or adverse financial impact upon the District or its operations.

##### Economic dependency

The District is dependent on the timely payment of taxes by its principal taxpayers. The ability of any significant taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its obligations. Further, the District is not able to increase its ad valorem tax levy beyond or in excess of the City of San Antonio tax rate of \$0.55827 per \$100 valuation.

##### Commitments

The County estimates the total principal overages and interest costs as \$21,138,788 for phase 1 (Potranco) and \$4,015,671 for phase 2 (Highway 211) in accordance with the financing agreement. The County has not requested full reimbursement from the District.

#### (8) Net position and fund balance deficit

The Debt service fund reported a deficit fund balance of (\$3,500) at September 30, 2022. In addition, unrestricted net position reflected in the government-wide statement of net position at September 30, 2022 is a deficit (\$59,100,405). Both deficits are expected to be recovered through increases in property and sales tax revenues.

#### (9) Subsequent events

Subsequent to September 30, 2022, the District issued Limited Ad Valorem Tax and Subordinate Lien Sales and Use Tax Road Bonds, Series 2022 in the amount of \$4,730,000.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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# WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GENERAL FUND

Year ended September 30, 2022

	BUDGETED AMOUNTS		2022 ACTUAL AMOUNTS (GAAP BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)	2021 ACTUAL AMOUNTS (GAAP BASIS)
	ORIGINAL	FINAL			
REVENUES					
Property taxes	\$ 883,242	\$ 883,242	\$ 882,328	\$ (914)	\$ 587,546
Operating contribution	-	-	1,620,262	1,620,262	-
Sales taxes	708,000	708,000	877,578	169,578	683,114
Interest income	<u>12,000</u>	<u>12,000</u>	<u>21,504</u>	<u>9,504</u>	<u>597</u>
Total revenues	<u>1,603,242</u>	<u>1,603,242</u>	<u>3,401,672</u>	<u>1,798,430</u>	<u>1,271,257</u>
EXPENDITURES					
Current:					
General government	192,950	192,950	87,881	105,069	57,107
Economic development:					
Professional fees	30,000	30,000	87,386	(57,386)	6,743
Developer reimbursements	-	8,046,666	8,550,971	(504,305)	-
County reimbursements	4,983,000	9,006,333	9,708,279	(701,946)	-
Debt service:					
Issuance costs and fees	<u>-</u>	<u>635,426</u>	<u>632,768</u>	<u>2,658</u>	<u>-</u>
Total expenditures	<u>5,205,950</u>	<u>17,911,375</u>	<u>19,067,285</u>	<u>(1,155,910)</u>	<u>63,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,602,708)</u>	<u>(16,308,133)</u>	<u>(15,665,613)</u>	<u>642,520</u>	<u>1,207,407</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issuance	-	12,145,000	12,265,000	(120,000)	-
Premium on bond issuance	-	22,846	25,413	(2,567)	-
Transfers out	<u>-</u>	<u>-</u>	<u>(588,683)</u>	<u>588,683</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>12,167,846</u>	<u>11,701,730</u>	<u>466,116</u>	<u>-</u>
Net change in fund balance	<u>(3,602,708)</u>	<u>(4,140,287)</u>	<u>(3,963,883)</u>	<u>1,108,636</u>	<u>1,207,407</u>
FUND BALANCE - BEGINNING	<u>7,200,079</u>	<u>7,200,079</u>	<u>7,200,079</u>	<u>-</u>	<u>5,992,672</u>
FUND BALANCE - ENDING	<u>\$ 3,597,371</u>	<u>\$ 3,059,792</u>	<u>\$ 3,236,196</u>	<u>\$ 1,108,636</u>	<u>\$ 7,200,079</u>

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## **OTHER SUPPLEMENTARY INFORMATION**

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**WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – DEBT SERVICE FUND**

**Year ended September 30, 2022**

	BUDGETED AMOUNTS		2022 ACTUAL AMOUNTS (GAAP BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)	2021 ACTUAL AMOUNTS (GAAP BASIS)
	ORIGINAL	FINAL			
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Total revenues	-	-	-	-	-
EXPENDITURES					
Debt service:					
Principal	-	350,000	375,000	(25,000)	-
Interest	-	240,000	213,645	26,355	-
Fees	-	-	3,538	(3,538)	-
Total expenditures	-	590,000	592,183	(2,183)	-
Excess (deficiency) of revenues over (under) expenditures	-	(590,000)	(592,183)	(2,183)	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	588,683	588,683	-
Net change in fund balance	-	(590,000)	(3,500)	586,500	-
FUND BALANCE - BEGINNING	-	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ (590,000)	\$ (3,500)	\$ 586,500	\$ -

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**APPENDIX B**  
**FORM OF BOND COUNSEL OPINION**

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November \_\_, 2023

WE HAVE ACTED AS BOND COUNSEL for Westside 211 Special Improvement District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

WESTSIDE 211 SPECIAL IMPROVEMENT DISTRICT LIMITED AD VALOREM TAX AND SUBORDINATE LIEN SALES AND USE TAX ROAD BONDS, SERIES 2023, dated November 15, 2023, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds, aggregating \$\_\_\_\_\_.

The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Resolution of the District's Board of Directors authorizing the Bonds (the "Bond Resolution"). Portions of the Bonds are subject to optional and mandatory redemption prior to maturity as set out in the Bonds and in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, customary certificates of officers, agents and representatives of the District, and other certified showings relating to the authorization and issuance of the Bonds. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in

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(512) 518-2424

NORTH TEXAS  
3100 McKinnon Street, Suite 1100  
Dallas, TX 75201  
(972) 823-0800

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full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Bonds are valid and legally binding obligations of the District, and taxable property in the District is subject to the levy of ad valorem taxes to pay the same, within the limits prescribed by law. The Bonds are further secured from the proceeds by a subordinate pledge of revenue of the District Sales and Use Tax as described in the Resolution.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Bexar County, the City of San Antonio, or any other entity.

IT IS OUR FURTHER OPINION that, under existing law:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes; and
- (2) Interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Code (as defined below)) for the purpose of computing the alternative minimum tax imposed on corporations.

In providing such opinions, we have relied on representations of the District, the District's Financial Advisor and the Underwriter (as defined in the Bond Resolution) with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the District fails to comply with the foregoing covenants of the Bond Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

In the Bond Resolution, the District has designated the Bonds as "qualified tax-exempt obligations" under the Code and has made the representations and covenants, which we have not independently verified, necessary to qualify the Bonds as "qualified tax-exempt obligations."

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Bond Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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## APPENDIX C

### GENERAL INFORMATION REGARDING THE CITY OF SAN ANTONIO AND BEXAR COUNTY

Neither the City of San Antonio, Texas nor Bexar County, Texas has any obligations with respect to payment of the Bonds. The information set forth in this Appendix C has been sourced from publicly available offering documents for bonds issued by Bexar County, Texas and is provided for general information only and may contain dated material. None of the District, the Financial Advisor or the Underwriter have undertaken to verify such information, and the District, the Financial Advisor or the Underwriter make no representation about the accuracy or completeness of the information contained in this Appendix C.

#### Population and Location

The 2020 Census, prepared by the United States Census Bureau (“U.S. Census Bureau”), found a City population of 1,434,625, the seventh largest in the United States. The City is located in south central Texas approximately 80 miles south of the state capitol in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo, respectively.

The City is the county seat of Bexar County. The 2020 U.S. Census Bureau found a County population of 2,009,324 and the Area MSA population to be 2,558,413 as of 2020

#### Population

The following table provides the population of the City, Bexar County, and the Area MSA, which includes Bexar, Comal, Wilson, Guadalupe, Atascosa, Bandera, Kendall and Medina Counties:

Year	City of San Antonio	Bexar County	San Antonio-New Braunfels MSA <sup>(1)</sup>
1920	161,379	202,096	255,928
1930	231,542	292,533	351,048
1940	253,854	338,176	393,159
1950	408,442	500,460	556,881
1960	587,718	687,151	749,279
1970	654,153	830,460	901,220
1980	785,880	988,800	1,088,710
1990	935,933	1,185,394	1,324,749
2000	1,144,646	1,392,931	1,711,703 <sup>(2)</sup>
2010	1,326,539	1,714,773	2,142,508 <sup>(3)</sup>
2020	1,434,625	2,009,324	2,558,143 <sup>(3)</sup>

(1) Data for 1920-1990 has been restated to the redefined eight-county MSA from the original four-county MSA.

(2) As of June 2003, the U.S. Office of Management and Budget redefined the MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to its mainstays of Bexar, Comal, Guadalupe, and Wilson Counties. (The 2000 figure reflects the new 2003 redefined eight-county area.) As of December 2009, New Braunfels, Texas qualified as a new principal city of the San Antonio MSA, and the MSA was re-titled San Antonio-New Braunfels MSA.

(3) Provided by the 2020 Decennial Census at [data.census.gov](https://data.census.gov)

Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; and City of San Antonio, Information Technology Services Department.

#### Area and Topography

The area of the City has increased through numerous annexations, and now contains approximately 500.78 square miles, according to the San Antonio Chamber of Commerce. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

#### Bexar County

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the third most populous of the 254 counties in the State. The County has an area of approximately 1,248 square miles and is located in south central Texas and is a component of the Area MSA.

The diversified economic base of the County is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County’s ongoing commitment to economic development projects together with ongoing infrastructure improvements to support the County’s growing population. Another economic factor attracting companies and families to the San Antonio area is the low cost of living. With one of the lowest cost workforces of any major cities in the United States, Bexar County is positioned to increase employment across various industries.

## Employment by Industry – Bexar County

San Antonio-New Braunfels MSA <sup>(1)</sup>	August 2022	Average Annual 2021	Average Annual 2020	Average Annual 2019	Average Annual 2018
Mining, Logging, and Construction <sup>(2)</sup>	62,900	63,200	63,700	67,100	63,700
Manufacturing	53,900	51,500	49,700	51,200	50,200
Trade, Transportation, and Utilities	195,000	188,300	181,200	183,000	181,000
Information	18,300	17,500	18,300	20,200	20,700
Financial Activities	99,700	93,800	93,200	94,000	92,100
Professional and Business Services	154,200	148,800	138,000	142,400	140,700
Education and Health Services	174,300	163,500	162,400	168,400	164,500
Leisure and Hospitality	142,000	124,400	112,200	138,200	135,500
Other Services	43,600	36,800	35,000	39,600	38,900
Government	167,200	172,500	173,300	173,600	171,800
Total Nonfarm	<u>1,111,100</u>	<u>1,060,300</u>	<u>1,027,000</u>	<u>1,077,700</u>	<u>1,059,100</u>

(1) Based on Labor Market Information Department, Texas Workforce Commission (model-based methodology).

(2) Mining, Logging, and Construction have been combined compared to previous years.

## Labor Force Statistics for Bexar County<sup>(1)</sup>

	August 2022 <sup>(2)</sup>	Average Annual <sup>(3)</sup>				
		2021	2020	2019	2018	2017
Civilian Labor Force	959,842	945,855	942,127	943,335	935,933	924,065
Total Employed	922,254	895,189	871,017	913,638	904,406	891,138
Total Unemployed	37,588	50,666	71,110	29,697	31,527	32,927
Unemployment Rate	3.9%	5.4%	7.5%	3.1%	3.4%	3.6%
% Unemployed (Texas)	4.1%	5.7%	7.6%	3.5%	3.9%	4.3%
% Unemployed (U.S.)	3.7%	5.3%	8.1%	3.7%	3.9%	4.4%

(1) Source: Texas Employment Commission.

(2) Year-to-date as of August 2022.

(3) Average annual statistics.

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## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, 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 Bonds), 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating: "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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent/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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

The District 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds 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 District or the Paying Agent/Registrar, on the 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject

to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District 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 Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, printed certificates for the Bonds are required to be printed and delivered

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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 Bond Resolution 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 District or the Financial Advisor.

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