

**SPIRITAS EAST
PUBLIC IMPROVEMENT DISTRICT
TOWN OF LITTLE ELM, TEXAS**

**ANNUAL SERVICE PLAN UPDATE
(ASSESSMENT YEAR 9/1/23 - 8/31/24)**

**AS APPROVED BY TOWN COUNCIL ON:
AUGUST 15, 2023**

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

SPIRITAS EAST PUBLIC IMPROVEMENT DISTRICT

ANNUAL SERVICE PLAN UPDATE (ASSESSMENT YEAR 9/1/23 – 8/31/24)

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I. INTRODUCTION

The Spiritas East Public Improvement District (the “PID”) was created pursuant to the PID Act and Resolution No. 1116202103 approved by the Town Council of Little Elm, Texas (the “Town Council”) on November 16, 2021, to finance certain public improvement projects for the benefit of the property in the PID.

On December 21, 2021, the Town of Little Elm, Texas (the “Town”) approved issuance of the Town of Little Elm, Texas Special Assessment Revenue Bonds, Series 2022 (Spiritas East Public Improvement District Project) (the “Series 2022 Bonds”) in the aggregate principal amount of \$4,650,000, to finance the costs of certain public improvements for the benefit of the property in the PID. The Series 2022 Bonds closed on January 14, 2022.

A service and assessment plan (the “Service and Assessment Plan”) was prepared at the direction of the Town identifying the public improvements (the “Authorized Improvements”) to be provided by the PID, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the PID for the costs of the Authorized Improvements. Pursuant to the PID Act, the Service and Assessment Plan must be reviewed and updated annually. This document is the annual update of the Service and Assessment Plan for 2023-24 (the “Annual Service Plan Update”).

The Town also adopted the Assessment Roll (the “Assessment Roll”) attached as Appendix G, to the Service and Assessment Plan, identifying the assessments on each Parcel within the PID, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Roll for 2023-24.

The Texas legislature passed House Bill 1543 as an amendment to the PID Act, requiring, among other things, (i) all Service and Assessment Plans and Annual Service Plan Updates be approved through Town ordinance or order to be filed with the county clerk of each county in which all or part of the PID is located within seven days and (ii) include a copy of the notice form required by Section 5.014 of the Texas Property Code (the “PID Assessment Notice”) as disclosure of the obligation to pay PID Assessments. In light of these amendments to the PID Act, this Annual Service Plan Update includes a copy of the PID Assessment Notice as Appendix E and copy of this Annual Service Plan Update will be filed with the county clerk in each county in which all or a part of the PID is located not later than seven (7) days after the date the governing body of the Town approves this Annual Service Plan Update.

Section 372.013 of the PID Act, as amended, stipulates that a person who proposes to sell or otherwise convey real property that is located in the PID, except in certain situation described in the PID Act, shall first give to the purchaser of the property a copy of the completed PID Assessment Notice. The PID Assessment Notice shall be given to a prospective purchase before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without

the seller provided the required notice, the purchaser, subject to certain exceptions described in the PID act, is entitled to terminate the contract.

The PID Assessment Notice shall be executed by the seller and must be filed in the real property records of the County in which the property is located at the closing of the purchase and sale of the property.

Capitalized terms shall have the meanings set forth in the Service and Assessment Plan unless otherwise defined herein.

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II. UPDATE OF THE SERVICE PLAN

A. UPDATED SOURCES AND USES FOR PUBLIC IMPROVEMENTS

Authorized Improvements Sources and Uses

Pursuant to the original Service and Assessment Plan adopted on December 21, 2021, the initial total estimated costs of the Authorized Improvements were equal to \$4,285,678. According to the Developer, there has been no change to the total initial estimated costs as provided in draw request #14, which was approved by the Town on June 28, 2023.

Table II-A-1 on the following page summarizes the budget line-item changes and updated sources and uses of funds required to (1) construct the Authorized Improvements (2) establish the PID, and (3) issue the Series 2022 Bonds.

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Table II-A-1
Sources and Uses

Sources of Funds	Initial Estimated Budget	Budget Revisions ¹	Updated Budget ¹	Amount Spent to Date ¹	Remaining Balance ¹
Par amount	\$4,650,000	\$0	\$4,650,000	\$3,111,680	\$1,538,320
Plus: original issue discount	(\$19,098)	\$0	(\$19,098)	(\$19,098)	\$0
<i>Net Par Amount</i>	<i>\$4,630,902</i>	<i>\$0</i>	<i>\$4,630,902</i>	<i>\$3,092,582</i>	<i>\$1,538,320</i>
<i>Other funding sources</i>					
Developer contributions	\$664,006	\$0	\$664,006	\$287,971	\$376,035
<i>Subtotal: Other funding sources</i>	<i>\$664,006</i>	<i>\$0</i>	<i>\$664,006</i>	<i>\$287,971</i>	<i>\$376,035</i>
Total Sources	\$5,294,907	\$0	\$5,294,907	\$3,380,553	\$1,914,353
Uses of Funds					
<i>Authorized Improvements</i>					
Roadway Improvements	\$1,777,602	\$0	\$1,777,602	\$111,549	\$1,666,053
Water Improvements	\$422,136	\$0	\$422,136	\$379,922	\$42,214
Sewer Improvements	\$644,200	\$0	\$644,200	\$579,780	\$64,420
Storm Drainage Improvements	\$681,241	\$0	\$681,241	\$613,117	\$68,124
Other Soft and Miscellaneous Costs	\$760,499	\$0	\$760,499	\$686,955	\$73,544
<i>Subtotal: Authorized Improvements</i>	<i>\$4,285,678</i>	<i>\$0</i>	<i>\$4,285,678</i>	<i>\$2,371,323</i>	<i>\$1,914,355</i>
<i>Bond Issuance Costs</i>					
Cost of Issuance	\$265,150	\$0	\$265,150	\$265,150	\$11,553
Capitalized Interest	\$286,562	\$0	\$286,562	\$286,562	\$0
Reserve Fund	\$278,018	\$0	\$278,018	\$278,018	\$0
Administrative Expense	\$40,000	\$0	\$40,000	\$40,000	\$0
Placement Agent's Fee	\$139,500	\$0	\$139,500	\$139,500	\$0
<i>Subtotal: Bond Issuance Costs</i>	<i>\$1,009,229</i>	<i>\$0</i>	<i>\$1,009,229</i>	<i>\$1,009,229</i>	<i>\$11,553</i>
Total Uses	\$5,294,907	\$0	\$5,294,907	\$3,380,553	\$1,914,354

1 – According to Draw Request #14 approved by the Town on June 28, 2023.

Authorized Improvement Cost Variances

As stated in Table II-A-1 above, there are no significant variances to the Authorized Improvement aggregate budget.

B. FIVE YEAR SERVICE PLAN

According to the PID Act, a service plan must cover a period of five years.

All of the Authorized Improvements are expected to be built within a period of five years. The anticipated budget for the Authorized Improvements over a period of five years, and the Annual Installments expected to be collected for these costs is shown by Table II-B-1 on the following page.

Table II-B-1
Annual Indebtedness and Projected Annual Installments (2022-2029)

Assessment Year Ending 09/01¹	Annual Projected Cost	Annual Projected Indebtedness	Sources other than PID Bonds	Annual Installments
2022-2023	\$5,294,907	\$4,650,000	\$664,006	\$50,300 ²
2024	\$0	\$0	\$0	\$353,253
2025	\$0	\$0	\$0	\$342,618
2026	\$0	\$0	\$0	\$343,530
2027	\$0	\$0	\$0	\$343,308
2028	\$0	\$0	\$0	\$342,992
2029	\$0	\$0	\$0	\$343,292
Total	\$5,294,907	\$4,650,000	\$664,006	\$2,119,293

1 - Assessment years ending 2022 through 2024 reflect actual Annual Installment amounts billed and include applicable credits. Assessment years ending 2025 through 2029 represent projected Annual Installments and are subject to change.

2 – Includes capitalized interest funds anticipated to be available for the September 1, 2023 debt service payment.

C. STATUS OF DEVELOPMENT

According to the Developer’s Quarterly Improvement Implementation Report dated as of March 31, 2023, the expected completion date for the Authorized Improvements is the first quarter of 2024 with an expected final lot sale date of the fourth quarter of 2025.

D. ANNUAL BUDGET

Annual Installments – 2023-24

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty Annual Installments of principal and interest beginning with the tax year following the issuance of the Series 2022 Bonds, of which twenty-eight (28) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the Series 2022 Bonds commencing with the issuance of the Series 2022 Bonds. The effective interest rate on the Series 2022 Bonds for 2023-24 is 3.78 percent. Pursuant to Section 372.018 of the PID Act, the interest rate for that assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the Series 2022 Bonds (3.78 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the Town in 2023 and will be delinquent on February 1, 2024.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2023-24, and the

Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro-rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under applicable documents including the Service and Assessment Plan and Trust Indenture such as capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the Authorized portion of the Series 2022 Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Service and Assessment Plan and applicable Trust Indenture.

Authorized Annual Installments to be Collected for 2023-24

The budget for Authorized of the PID will be paid from the collection of Annual Installments collected for 2023-24 as shown in Table II-D-1 on the following page.

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Table II-D-1
Budget for the Authorized Annual Installments
to be Collected for 2023-24

	Series 2022 Bonds
Interest payment on March 1, 2024	\$87,873
Interest payment on September 1, 2024	\$87,873
Principal payment on September 1, 2024	\$102,000
<i>Subtotal - Debt Service Payments</i>	<i>\$277,745</i>
Administrative Expenses	\$61,000
Excess Interest for Prepayment & Delinquency Reserves	\$23,250
<i>Subtotal Expenses</i>	<i>\$361,995</i>
Available Reserve Fund Income	(\$8,742)
Available Capitalized Interest Funds	\$0
Available Administrative Expense Funds	\$0
<i>Subtotal funds available</i>	<i>(\$8,742)</i>
Annual Installments	\$353,253

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 1, 2024 in the amount of \$87,873 and on September 1, 2024 in the amount of \$87,873, which equal interest on the outstanding Assessment balance of \$4,650,000 for six months each and an effective interest rate of 3.78 percent. Annual Installments to be collected include a principal payment of \$102,000 due on September 1, 2024 for the Series 2022 Bonds. As a result, total principal and interest due in 2023-24 for the Series 2022 Bonds is estimated to be \$277,745.

Administrative Expenses

Administrative expenses include the Town, PID Administrator, auditor, Trustee, and contingency fees. As shown in Table II-D-2 on the following page, the total Authorized administrative expenses to be collected for 2023-24 are estimated to be \$61,000.

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Table II-D-2
Administrative Budget Breakdown

Description	2023-24 Estimated Budget (9/1/23-8/31/24)
Town	\$22,000
PID Administrator	\$25,000
Trustee	\$4,500
Auditor	\$6,000
Contingency	\$3,500
Total	\$61,000

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments to be collected for excess interest for prepayment and delinquency reserves in the amount of \$23,250, which equals 0.5 percent interest on the outstanding Series 2022 Assessments balance of \$4,650,000.

Available Reserve Fund Income

As of June 30, 2023, the balance in the Reserve Fund was \$286,760, which exceeds the Bond Reserve Requirement of \$278,018. As a result, there are \$8,742 in funds anticipated to be available to pay the Series 2022 Bonds debt service for Assessment Year ending September 1, 2024.

Available Capitalized Interest Account

The final payment out of the Capitalized Interest Fund will be used to pay interest on the Series 2022 Bonds on the interest payment dates for Assessment Year ending September 1, 2023. As a result, there will be no credit available to reduce the Annual Installment for Assessment Year ending September 1, 2024.

Available Administrative Expense Account

As of June 30, 2023, the balance in the Administrative Expense Fund was \$67,974. The available balance is anticipated to be used for future administrative expenses. As a result, there are no funds anticipated to be available in the Administrative Expense Fund to reduce the 2023-24 Annual Installment.

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E. ANNUAL INSTALLMENTS PER UNIT

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Authorized portion of the Series 2022 Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses.

According to the Service and Assessment Plan, 146 units, representing 113.24 total Equivalent Units, are anticipated to be built within the PID. Accordingly, the net principal, interest, and prepayment and delinquency reserve portion of Annual Installment to be collected from each Equivalent Unit will be \$2,580.82 (i.e. $(\$277,745 + \$23,250 - \$8,742) \div 113.24 = \$2,580.82$) and the net Administrative Expenses to be collected from each Equivalent Unit will be \$538.68 (i.e. $\$61,000 \div 113.24 = \538.68). As a result, the total Annual Installment to be collected from each Equivalent Unit within the PID will be \$3,119.50 (i.e. $\$2,580.82 + \$538.68 = \$3,119.50$). The Annual Installment to be collected from each Parcel is calculated by multiplying the Annual Installment for each Equivalent Unit of \$3,119.50 by the total estimated Equivalent Units for each Parcel in the PID.

The Annual Installment due to be collected from each Land Use Class for 2023-24 is shown in Table II-E-1 below.

Table II-E-1
Annual Installment Per Unit

Land Use Class	Annual Installment Per Equivalent Unit	Equivalent Unit Factor	Annual Installment Per Unit
50 FT	\$3,119.50	1.00	\$3,119.50
40 FT	\$3,119.50	0.72	\$2,246.04

The list of Parcels within the PID, the number of units to be developed on the current residential Parcels, the corresponding total Equivalent Units, the total outstanding Assessment, the annual principal and interest, the Administrative Expenses, and the Annual Installment to be collected for 2023-24 are shown in the Assessment Roll Summary attached hereto as Appendix D.

F. BOND REDEMPTION RELATED UPDATES

The Series 2022 Bonds were issued in 2022. Pursuant to Section 4.3 of the Trust Indenture, the Town reserves the right and option to redeem the Series 2022 Bonds before their scheduled maturity dates, in whole or in part, on any date on or after **September 1, 2032**, such redemption date or dates to be fixed by the Town, at the redemption prices and dates shown in the applicable Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the Series 2022 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the Town accordingly.

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III. UPDATE OF THE ASSESSMENT PLAN

The Service and Assessment Plan adopted by the Town Council describes that the Authorized Improvement costs shall be allocated to the Assessed Property equally based on the equivalent number of residential dwelling units anticipated to be built on each Parcel once such property is fully developed, and that such method of allocation will result in the imposition of equal shares of the Authorized Improvement costs to Parcels similarly benefited.

Assessment Methodology

This method of assessing property, as updated in prior Annual Service Plan Updates, has not been changed and Assessed Property will continue to be assessed as provided for in the Service and Assessment Plan.

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IV. UPDATE OF THE ASSESSMENT ROLL

Pursuant to the original Service and Assessment Plan, the Assessment Rolls shall be updated each year to reflect:

(i) the identification of each Parcel (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by the Service and Assessment Plan or in the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.E. of the Service and Assessment Plan.

The summary of updated Assessment Roll is shown in Appendix D of this report. Each Parcel in the PID is identified, along with the Assessment on each Parcel and the Annual Installment to be collected from each Parcel. Assessments are to be reallocated for the subdivision of any Parcels.

A. PARCEL UPDATES

According to the Service and Assessment Plan, upon the subdivision of any Parcel, the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

A = the Assessment for each new subdivided Parcel.
B = the Assessment for the Parcel prior to subdivision.
C = the estimated Equivalent Units to be built on each newly subdivided Parcel
D = the sum of the estimated Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated Equivalent Units to be built on a Parcel shall be performed by the Administrator and confirmed by the Town Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of Equivalent Units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

B. PREPAYMENT OF ASSESSMENTS

As of June 30, 2023, there have been no prepayment of Assessments for any Parcel within the PID.

The complete Assessment Roll is available for review at the Little Elm Town Hall, located at 100 W. Eldorado Parkway, Little Elm, Texas 75068.

APPENDIX A
SPIRITAS EAST PID MAP

APPENDIX B
PREPAID PARCELS

Appendix B

As of June 30, 2023, there has been no prepayment of Assessments for any Parcel within the PID.

APPENDIX C
ASSESSED VALUE

Appendix C
Spiritas East PID
2023 Certified Assessed Value

	Parcels	2023 Assessed Value ¹
Spiritas East	2	\$4,117,639.00
Total	2	\$4,117,639.00

1 - Parcel assessed values reflect 2023 values, inclusive of applicable exemptions, in accordance with Denton Central Appraisal District online records as of July 26, 2023.

APPENDIX D
ASSESSMENT ROLL – 2023-24

SPIRITAS EAST PID
Assessment Roll Summary
2023-24

Parcel ID	Equivalent Units	Outstanding Assessments	Principal	Interest	Excess Interest for Reserves	Administrative Expenses	2023-24 Annual Installment
38197, 147906	113.24	\$4,650,000.00	\$102,000.00	\$167,002.54	\$23,250.00	\$61,000.00	\$353,252.54
Total	113.24	\$4,650,000.00	\$102,000.00	\$167,002.54	\$23,250.00	\$61,000.00	\$353,252.54

Appendix E
PID Assessment Notice

Form of Homebuyer Disclosure

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT ASSESSMENT
TO
THE TOWN OF LITTLE ELM, TEXAS
CONCERNING THE FOLLOWING PROPERTY

[insert property address]

As the purchaser of the real property described above, you are obligated to pay assessments to the Town of Little Elm, Texas (the "Town"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within the Spiritas East Public Improvement District (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the Town. The exact amount of each annual installment will be approved each year by the Town Council in the Annual Service Plan Update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the Town or MuniCap, Inc., the District Administrator for the Town, located at 600 E. John Carpenter Fwy, Suite 150, Irving, Texas 75062 and available by telephone at (469) 490-2800 or (866) 648-8482 (toll free) and email at txpid@municap.com.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

Date: _____

Signature of Purchaser

Signature of Purchaser

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed, in the capacity stated and as the act and deed of the above-referenced entities as an authorized signatory of said entities.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas