

AGENDA FOR REGULAR MEETING

KERRVILLE CITY COUNCIL

TUESDAY, NOVEMBER 13, 2018, 6:00 P.M.

KERRVILLE CITY HALL COUNCIL CHAMBERS

701 MAIN STREET, KERRVILLE, TEXAS

KERRVILLE CITY COUNCIL AGENDA
REGULAR COUNCIL MEETING, NOVEMBER 13, 2018, 6:00 PM
CITY HALL COUNCIL CHAMBERS
701 MAIN STREET, KERRVILLE, TEXAS

CALL TO ORDER

INVOCATION:

Offered by Councilmember George Baroody.

PLEDGE OF ALLEGIANCE TO THE FLAG

1. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Announcement of items of community interest, including expressions of thanks, congratulations, or condolences; information regarding holiday schedules; honorary recognitions of city officials, employees, or other citizens; reminders about upcoming events sponsored by the city or other entity that is scheduled to be attended by city officials or employees; and announcements involving imminent threats to the public health and safety of the city. No action will be taken.

2. VISITORS/CITIZENS FORUM:

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must fill out the speaker request form and give it to the City Secretary. City Council may not discuss or take any action on an item but may place the issue on a future agenda. The number of speakers will be limited to the first ten speakers and each speaker is limited to four minutes.

3. CONSENT AGENDA:

These items are considered routine and can be approved in one motion unless a Councilmember asks for separate consideration of an item. It is recommended that the City Council approve the following items which will grant the Mayor or City Manager the authority to take all actions necessary for each approval:

3.A Resolution No. 45-2018 canceling the regular meeting of the City Council scheduled for December 25, 2018.

Attachments:

[AB Resolution canceling 12-25 CC meeting.docx](#)

[Resolution No. 45-2018.pdf](#)

3.B Resolution No. 46-2018 adopting the FEMA-approved Kerr County, Texas Multi-Jurisdiction Hazard Mitigation Plan

Attachments:

[AB FEMA Mitigation Plan.docx](#)

1

The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-257-8000 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the City hall of the City of Kerrville, Texas, and said notice was posted on the following date and time: November 9, 2018 at 5:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown
Interim City Secretary, City of Kerrville, Texas

Resolution 46-2018.pdf

3.C Resolution No. 47-2018 representing that the City of Kerrville, Texas, is capable of being designated as a management agency for wastewater collection and treatment within the City limits in accordance with federal law. Approval of this resolution is required prior to approval of the funding ordinances. (Approval of this resolution is required prior to approval of the funding ordinances.)

Attachments:

[AB_DMA_Resolution.docx](#)

[Resolution No. 47-2018.pdf](#)

END OF CONSENT AGENDA

4. ORDINANCES, FIRST READING:

4.A Ordinance No. 2018-34 authorizing the issuance, sale and delivery of \$8,000,000 in aggregate principal amount of City of Kerrville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018B, to be purchased by the Texas Water Development Board; securing the payment thereof by authorizing the levy of an annual ad valorem tax and a pledge of certain surplus revenues of the City's waterworks and sewer system; and approving and authorizing the execution of a paying agent/registrar agreement, an escrow agreement, and all other instruments and procedures related thereto.

Attachments:

[AB_Certificates_of_Obligation_Legion_Lift_Station.docx](#)

[Ordinance No. 2018-34.pdf](#)

[Project and Funding Calendar Nov 2018.pdf](#)

[Debt capacity analysis.pdf](#)

[LLS attachment.pdf](#)

4.B Ordinance No. 2018-35 authorizing the issuance, sale and delivery of \$5,000,000 in aggregate principal amount of City of Kerrville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A, to be purchased by the Texas Water Development Board; securing the payment thereof by authorizing the levy of an annual ad valorem tax and a pledge of certain surplus revenues of the City's waterworks and sewer system; and approving and authorizing the execution of a paying agent/registrar agreement, an escrow agreement, and all other instruments and procedures related thereto.

Attachments:

[AB_Certificates_of_Obligation_TTHM.docx](#)

[Ordinance No. 2018-35.pdf](#)

[Project and Funding Calendar Nov 2018.pdf](#)

[Debt capacity analysis.pdf](#)

5. ORDINANCE, SECOND READING

5.A Ordinance No. 2018-32 amending Chapter 2, "Administration," Article IV "Boards and Commissions" of the Code of Ordinances of the City of Kerrville, Texas, by adding a new Section 2-91, to create a Senior Services Advisory Committee; providing the

functions of said committee; containing a cumulative clause; containing a savings and severability clause; and providing other matters relating to this subject.

Attachments:

[AB_Ordinance_No._2018-32_Senior_Services_Advisory_Committee.docx](#)
[Ordinance 2018-32.pdf](#)

6. CONSIDERATION AND POSSIBLE ACTION:

6.A Authorize execution of a construction contract for the Water Treatment Plant Clarifier Rehab with Keystone Construction in the amount of \$796,000.00.

Attachments:

[AB_WTP_Clarifier_Rehab_Construction.docx](#)
[WTP Clarifier Rehab_Received Bids.pdf](#)
[WTP Clarifier Rehab_Recommendation Letter.pdf](#)

6.B Interlocal Contract with South Central Planning and Development Commission for development services software.

Attachments:

[AB_MyPermitNow-agreement_2.docx](#)
[ILA Permit Software.pdf](#)

6.C Amendments to Chapter 18 "Animals" of the Code of Ordinances.

Attachments:

[AB_Amendments to Chapter 18 of COO.docx](#)
[Attachments for Amendments to Chapter 18-Animals.pdf](#)

6.D Amendment to the City's purchasing policy to prohibit award of a contract to any person or entity who is being investigated for, or has been convicted of, a felony.

Attachments:

[AB_Contract Award Policy 111318.docx](#)
[Exhibits for Contract Award Item.pdf](#)

7. INFORMATION & DISCUSSION:

7.A Financial update for the month ended September 30, 2018

Attachments:

[AB_Financial_Update_9-30-18.docx](#)
[September 2018 financial summary.pdf](#)

7.B Report on status of flood damage assessment at reuse line bridge structure located near Loop 534 bridge.

Attachments:

[AB_Reuse line damage report.docx](#)

8. ITEMS FOR FUTURE AGENDAS

9. EXECUTIVE SESSION:

City Council may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above including if they meet the qualifications in Sections

551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel/officers), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Texas Government Code including the following:

10. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION, IF ANY

ADJOURNMENT.



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Resolution No. 45-2018 canceling the regular meeting of the City Council scheduled for December 25, 2018.

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 10/29/2018

SUBMITTED BY: Cheryl Brown
Interim City Secretary

EXHIBITS: Resolution No. 45-2018

Expenditure Required: \$0	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	Yes: <input type="checkbox"/>	No:
Key Priority Area	N/A	
Guiding Principle	N/A	
Action Item	N/A	

SUMMARY STATEMENT:

The proposed resolution cancels the December 25, 2018 regular City Council meeting due to the holiday.

RECOMMENDED ACTION:

Approve Resolution 45-2018.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 45-2018**

**A RESOLUTION CANCELING THE REGULAR
MEETING OF THE CITY COUNCIL SCHEDULED FOR
DECEMBER 25, 2018**

WHEREAS, Section 2-31 of the Code of Ordinances for the City of Kerrville provides that City Council meetings are to be held the second and fourth Tuesdays of each month; and

WHEREAS, Section 2-31 also provides the City Council may, by majority vote at a regular meeting, change the days or times of meetings as circumstances may necessitate;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

The regular meeting of the City Council scheduled for December 25, 2018, is hereby canceled.

**PASSED AND APPROVED ON this the _____ day of _____ A.D.,
2018.**

Bill Blackburn, Mayor

ATTEST:

Cheryl Brown, Interim City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Resolution No. 46-2018 adopting the FEMA approved Kerr County, Texas Multi-Jurisdiction Hazard Mitigation Plan

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 10/11/2018

SUBMITTED BY: Dannie Smith
Kerrville Fire Chief

EXHIBITS: Resolution No. 46-2018

Expenditure Required: N/A	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	Yes: <input type="checkbox"/>	No:
Key Priority Area	N/A	
Guiding Principle	N/A	
Action Item	N/A	

SUMMARY STATEMENT:

Chapter 418 of the Texas Government Code (The Texas Disaster Act of 1975), and Title 37, Part 1, Chapter 7 of the Texas Administrative Code, requires jurisdictions to develop emergency operations plans. The plans consist of a basic plan and 22 functional annexes. Our hazard mitigation plan is one of the functional annexes of our emergency operations plan.

The Texas Division of Emergency Management designated July 07, 2017, as the deadline by which jurisdictions must develop new comprehensive hazard mitigation plans. Jurisdictions were required to meet this deadline for eligibility of state hazard mitigation grants. Meeting the deadline was also necessary for our City to continue at the (highest level) advanced level of planning preparedness.

In January of 2017, Kerr County solicited GrantWorks to develop a comprehensive hazard mitigation plan at a cost of \$141,233. Kerr County requested our participation, along with the following agencies:

City of Ingram	Kerrville ISD	Schreiner University
Hunt ISD	Ingram ISD	Peterson Regional Medical Center
Center Point ISD	UGRA	

The Federal Government shared in the cost through a 75/25 matching grant contribution of \$105,925. The remaining balance of \$35,380, was equally split between Kerr County and other participating agencies. Our share of the grant match was \$3,580.

Participation does not obligate our City to Kerr County mitigation projects, and does allow our organization to pursue our own mitigation grants. However, lack of participation would have cost our City approximately \$60,000 for the development of such a plan.

On October 10, 2018, FEMA approved the Comprehensive Hazard Mitigation Plan. Our final step is to adopt through Resolution, the FEMA Approved Kerr County, Texas Multi-Jurisdiction Hazard Mitigation Plan. Texas has identified numerous projects, and designated millions of grant dollars for jurisdictions that fulfill this obligation.

RECOMMENDED ACTION:

Adopt Resolution No. 46-2018, for the FEMA Approved Kerr County, Texas Multi-Jurisdiction Hazard Mitigation Plan.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 46-2018**

**A RESOLUTION ADOPTING THE FEMA-APPROVED
KERR COUNTY, TEXAS, MULTI-JURISDICTION
HAZARD MITIGATION PLAN**

WHEREAS, the City of Kerrville recognizes the threat that natural hazards pose to people and property within the City; and

WHEREAS, Kerr County has created a county-wide Hazard Mitigation Plan for itself and its participants which is in accordance with the Disaster Mitigation Act of 2000; and

WHEREAS, Kerr County, Texas Multi-Jurisdiction Hazard Mitigation Plan identifies mitigation goals and actions to reduce or eliminate long-term risk to people and property in the Plan from impacts of future hazards and disasters; and

WHEREAS, adoption by the City Council demonstrates the City's commitment to hazard mitigation and achieving the goals outlined in the Plan; and

WHEREAS, the adoption of the Plan will make the City of Kerrville eligible to apply for current open and future Hazard Mitigation Grants;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL
OF THE CITY OF KERRVILLE, TEXAS:**

The City of Kerrville adopts the FEMA-approved Kerr County, Texas Multi-Jurisdiction Hazard Mitigation Plan.

**PASSED AND APPROVED ON this the _____ day of _____,
A.D., 2018.**

ATTEST:

Bill Blackburn, Mayor

Cheryl Brown, Interim City Secretary

APPROVED AS TO FORM:

Michael C. Hayes, City Attorney



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Resolution No.47-2018 representing that the City of Kerrville, Texas, is capable of being designated as a management agency for wastewater collection and treatment within the City limits in accordance with federal law.

AGENDA DATE OF: 11/13/2018

DATE SUBMITTED: 11/2/2018

SUBMITTED BY: Amy Dozier, CFO

EXHIBITS: Resolution 47-2018

Expenditure Required: N/A	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item? Key Priority Area Guiding Principle Action Item	Yes: <input type="checkbox"/> N/A N/A N/A	No:
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SUMMARY STATEMENT:

This resolution is an administrative requirement related to the City's funding through the Texas Water Development Board (TWDB) for the Legion Lift Station project.

The Designated Management Agency (DMA) resolution documents and formalizes the system under which the City already operates. It states that the City has the authority to design, construct, operate, and maintain wastewater collection and treatment facilities and assess charges to operate the system. It also authorizes the City to accept funds, such as those from the TWDB, for wastewater system purposes.

The City has confirmed with outside legal counsel and engineers that this resolution is simply an administrative requirement and does not subject the City to additional regulatory requirements.

RECOMMENDED ACTION:

Approve Resolution No. 47-2018.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 47-2018**

A RESOLUTION REPRESENTING THAT THE CITY OF KERRVILLE, TEXAS, IS CAPABLE OF BEING DESIGNATED AS A MANAGEMENT AGENCY FOR WASTEWATER COLLECTION AND TREATMENT WITHIN THE CITY LIMITS IN ACCORDANCE WITH FEDERAL LAW

WHEREAS, the City of Kerrville, Texas, has the authority to design, construct, operate, and maintain wastewater collection and treatment facilities; to raise revenues and assess appropriate charges to assure that in an area-wide waste treatment management plan, each party participating in the plan pays its appropriate share of sewerage system costs; to accept or refuse to accept any wastes from any participating party; to accept and utilize grants or other funds from any source for wastewater management purposes; and, to carry out appropriate portions of an area-wide water quality management plan;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, TEXAS:

The City of Kerrville, Texas, though not currently within an area designated as having substantial water quality problems, represents that it is capable of being designated as a management agency for wastewater collection and treatment within its City Limits in accordance with the requirements of 33 U.S.C. § 1288(c), as amended. A map of the City Limits is attached as **Exhibit A**.

PASSED AND APPROVED ON this the _____ day of _____, A.D., 2018.

ATTEST:

Bill Blackburn, Mayor

Cheryl Brown, Interim City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney



EXHIBIT A

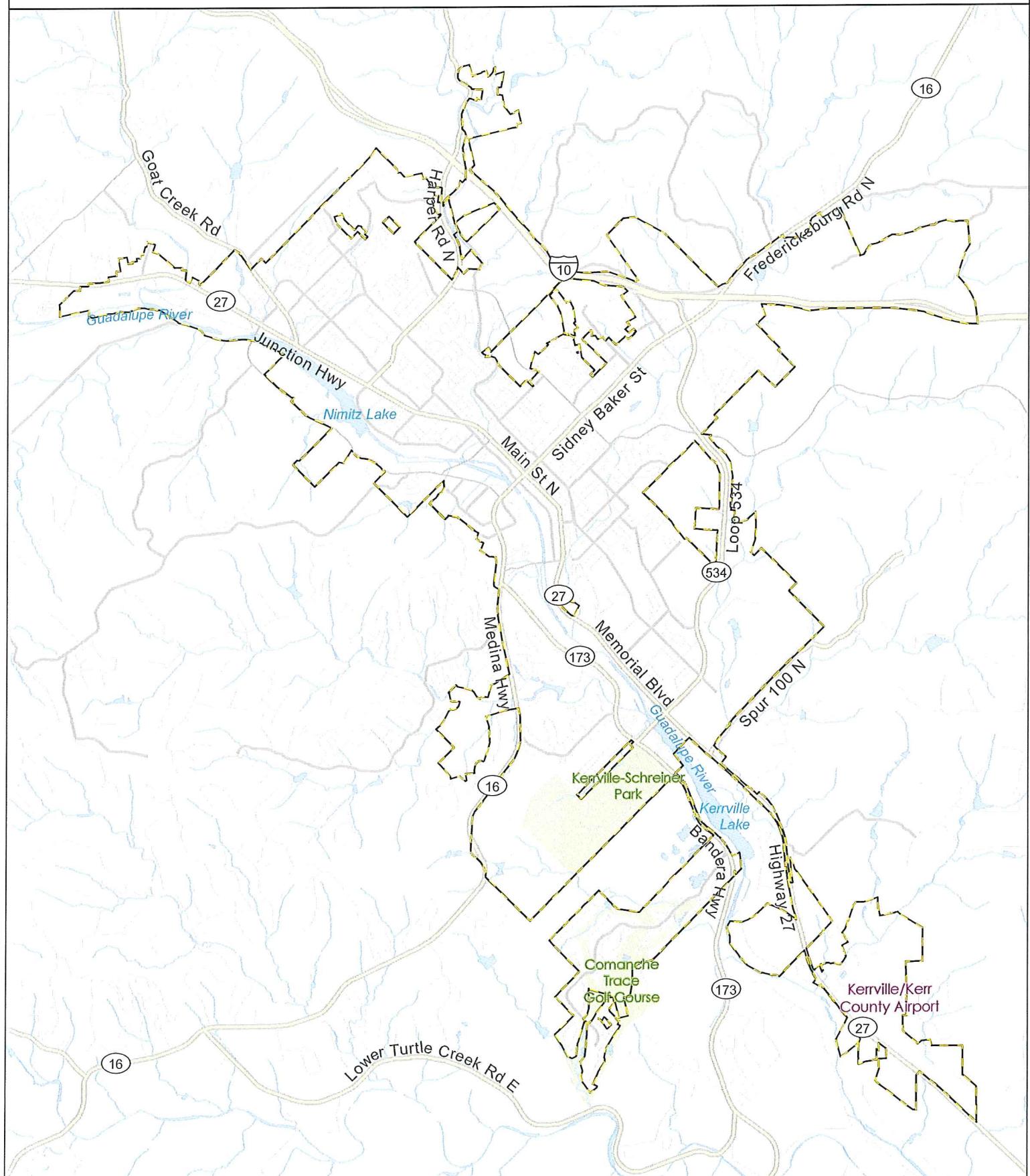
City of Kerrville, TX

OCTOBER 23, 2018



City Limit

0 0.5 1 2
Scale in Miles





**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Ordinance No. 2018-34 authorizing the issuance, sale and delivery of \$8,000,000 in aggregate principal amount of City of Kerrville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018B, to be purchased by the Texas Water Development Board; securing the payment thereof by authorizing the levy of an annual ad valorem tax and a pledge of certain surplus revenues of the City's waterworks and sewer system, and approving and authorizing the execution of a paying agent/registrar agreement, an escrow agreement, and all other instruments and procedures related thereto.

AGENDA DATE OF: 11/13/2018

DATE SUBMITTED: 11/7/2018

SUBMITTED BY: Amy Dozier, CFO

EXHIBITS: Ordinance 2018-34
Project and Funding Calendar
Debt Capacity Analysis
Financial Presentation by Hilltop Securities

Expenditure Required: N/A	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	Yes:	No: <input type="checkbox"/>
Key Priority Area	W - Water/Waste-Water/Drainage	
Guiding Principle	W5 - Update and maintain the City's long-range plan for wastewater management, addressing and prioritizing infrastructure needs and identifying funding sources	
Action Item	W5.2 – Replace Legion Lift Station for reliability and greater capacity to accommodate growth.	

SUMMARY STATEMENT:

The City began planning for a major capacity expansion at the Legion Lift Station using debt funding in 2015. Legion Lift Station provides wastewater service to a major corridor of the City. Capacity expansion is required for any new development to occur in that corridor.

The scope of the project includes the design and construction of a proposed lift station and force main with an ultimate peak capacity of 6,250 GPM. The existing Legion Lift Station will be decommissioned and the existing wastewater lines will be rerouted to the new Legion Lift Station site. The new Legion Lift Station will convey wastewater to the city's water reclamation plant headworks through a proposed 20-inch force main. The existing Legion Lift Station has a firm pumping capacity of 5.76 MGD. This project will

expand the firm pumping capacity to 9.0 MGD. The project is estimated to cost approximately 10.0 million.

After exploring funding options with our bond advisor, bond counsel and EIC, Council approved moving forward with funding applications to both the Texas Water Development Board (TWDB) (\$8.0 million) and EIC (\$2.0 million) for the Legion Lift Station project.

The TWDB offers subsidized loans for wastewater infrastructure projects. The loan is in the form of a 30-year certificate of obligation that is purchased by direct placement by the TWDB at a rate that is 130 basis points below market rate. As previously presented, we estimate that using TWDB funding will save the City approximately \$1.4 million over the life of the loan.

Please note that the authorization is for the full \$8 million application amount. Due to rising labor and steel costs, we may need the entire amount instead of the \$7.85 million that has also been discussed. In addition, if for any reason we fail to use the entire amount on the Legion Lift Station project, the excess funds can be used for other wastewater projects. Given the favorable interest rates, the prospect of a continued rising rate environment, and the ability to move this funding to other projects, staff recommends issuing the certificates of obligation for the entire application amount.

The following calendar outlines the funding process through TWDB:

1. 3/27/18 – Resolution authorizing TWDB loan application
2. 4/20/18 – completed application submitted to TWDB
3. 6/12/18 – Council approves \$2M EIC funding agreement
4. 9/12/18 – application approved by TWDB
5. 9/25/18 – Resolution authorizing publication of a notice of intention to issue certificates of obligation
6. 10/3/18 – First publication of Notice of Intent to Issue Certificates of Obligation
7. 10/10/18 – Second publication of Notice of Intent to Issue Certificates of Obligation
8. 11/6/18 – Interest rates set by TWDB
9. 11/13/18 – Ordinance authorizing the order of bonds purchased by direct placement by TWDB. Per state law (Section 1201.028, Texas Government Code), the ordinance requires one reading only.
10. 12/6/18 – Debt closing
11. December 2018 – Award bids
12. January 2019 – Construction begins. Completion expected by early 2020.

RECOMMENDED ACTION:

Approve Ordinance 2018-34.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2018-34**

**ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF
\$8,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF *CITY OF
KERRVILLE, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018A*, TO BE PURCHASED BY
THE TEXAS WATER DEVELOPMENT BOARD; SECURING THE
PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL
AD VALOREM TAX AND A PLEDGE OF CERTAIN SURPLUS REVENUES
OF THE CITY'S WATERWORKS AND SEWER SYSTEM; AND
APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING
AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND
ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO**

DATE OF APPROVAL: NOVEMBER 13, 2018

TABLE OF CONTENTS

Recitals	1
Section One.	Amount and Purpose of the Certificates of Obligation.	2
Section Two.	Designation, Date, Denominations, Numbers, and Maturities of Certificates of Obligation	3
Section Three.	Interest	4
Section Four.	Characteristics of the Certificates of Obligation; Approval of Paying Agent/Registrar Agreement	4
Section Five.	Form of Certificate of Obligation	8
Section Six.	Interest and Sinking Fund; Tax Levy; Security Interest	17
Section Seven.	Surplus Revenues	18
Section Eight.	Construction Fund	19
Section Nine.	Investments	20
Section Ten.	Empowered	20
Section Eleven.	Defeasance of the Certificates of Obligation	20
Section Twelve.	Damaged, Mutilated, Lost, Stolen, or Destroyed Certificates of Obligation	22
Section Thirteen.	Custody, Approval, and Registration of the Certificates of Obligation; Bond Counsel's Opinion, Bond Insurance, and Cusip Numbers ...	23
Section Fourteen.	Covenants Regarding Tax-exemption of Interest on the Certificates of Obligation	24
Section Fifteen.	Continuing Disclosure Undertaking	27
Section Sixteen.	Sale and Delivery of the Certificates of Obligation	30
Section Seventeen.	Approval of Escrow Agreement; Deposit of Proceeds	31
Section Eighteen.	Final Accounting	31

Section Nineteen.	Compliance with the Rules and Regulations of, and with Specific Covenants Required by, the Texas Water Development Board	32
Section Twenty.	Authority for Officers to Execute Documents and Approve Changes	34
Section Twenty-One.	Ordinance a Contract; Amendments	35
Section Twenty-Two.	Remedies in Event of Default	36
Section Twenty-Three.	Interested Parties	36
Section Twenty-Four.	Appropriation to Pay Principal and Interest	36
Section Twenty-Five.	Incorporation of Recitals	36
Section Twenty-Six.	Severability	36
Section Twenty-Seven.	Effective Date	37
Signatures		
Form of Paying Agent/Registrar Agreement		Exhibit A
Description of Annual Financial Information		Exhibit B
Written Procedures Relating to Continuing Compliance With Federal Tax Covenants		Exhibit C
Form of Escrow Agreement		Exhibit D

ORDINANCE NO. 2018-__

ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF \$8,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF *CITY OF KERRVILLE, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018A*, TO BE PURCHASED BY THE TEXAS WATER DEVELOPMENT BOARD; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX AND A PLEDGE OF CERTAIN SURPLUS REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

**THE STATE OF TEXAS
COUNTY OF KERR
CITY OF KERRVILLE**

§
§
§

WHEREAS, the **CITY OF KERRVILLE, TEXAS** (the "City") in Kerr County, Texas, is a political subdivision of the State of Texas operating as a home-rule city pursuant to the Texas Local Government Code and its City Charter which was initially approved by the qualified voters of the City on February 24, 1942, and which has been amended from time to time, with the most recent amendments being approved by the qualified voters of the City on May 4, 1999; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to plan, acquire, construct, and equip extensions and improvements to the City's sewer system, including the construction and equipping of a new lift station within the sanitary sewer system known generally as the "Legion Lift Station" and related improvements to replace an existing lift station (the "**Projects**"), which will be funded through the Clean Water State Revolving Fund managed by the Texas Water Development Board; and

WHEREAS, the City Council of the City intends to finance the Projects from proceeds derived from the sale of Certificates of Obligation issued by the City pursuant to Sections 271.041 - 271.064, Texas Local Government Code, as amended; and

WHEREAS, the City filed an application with the TWDB requesting financial assistance to finance up to \$8,000,000 of the costs to plan, acquire, design and construct the Projects; and

WHEREAS, the Texas Water Development Board reviewed such application and approved a commitment to provide financial assistance to the City through the TWDB's *Clean Water State Revolving Fund* of up to \$8,000,000 in accordance with Resolution No. 18-107 approved on September 6, 2018 (the "**TWDB Resolution**") for the purpose of funding a portion of the costs to plan, acquire, design and construct the Projects, which have been identified by the TWDB as *Project No. 73801*; and

WHEREAS, the City Council of the City intends to finance all or a portion of the Projects from proceeds derived from the sale of a series of certificates of obligation (defined below as the "*Certificates of Obligation*") issued by the City pursuant to Sections 271.041 - 271.064, Texas Local Government Code, as amended; and

WHEREAS, the City Council hereby finds that the proceeds of the Certificates of Obligation will not be used for a purpose previously rejected by the voters of the City in a bond election held during the preceding three years; and

WHEREAS, on September 25, 2018, the City Council adopted a resolution authorizing and directing the City Secretary to give notice of intention to issue the Certificates of Obligation; and

WHEREAS, said notice has been duly published in the *Kerrville Daily Times*, which is a newspaper of general circulation in the City in its issues of October 3, 2018, and October 13, 2018; and

WHEREAS, the City received no petition signed by at least five percent of the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

WHEREAS, the Certificates of Obligation authorized by this Ordinance will be sold to and purchased by the Texas Water Development Board, as further provided in Section Sixteen hereof; and

WHEREAS, it is considered to be in the best interest of the City that said interest bearing Certificates of Obligation be issued; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS, THAT:

SECTION ONE. AMOUNT AND PURPOSE OF THE CERTIFICATES OF OBLIGATION. The certificate of obligation or certificates of obligation of the City further described in Section 2 of this Ordinance and referred to herein as the "Certificates of Obligation" are hereby authorized to be issued and delivered in the aggregate principal amount of \$8,000,000 **FOR THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO PLAN, ACQUIRE, DESIGN AND CONSTRUCT EXTENSIONS AND IMPROVEMENTS TO THE CITY'S SANITARY SEWER SYSTEM, INCLUDING THE CONSTRUCTION AND EQUIPPING OF A NEW LIFT STATION WITHIN THE SANITARY SEWER SYSTEM KNOWN GENERALLY AS THE "LEGION LIFT STATION" AND RELATED IMPROVEMENTS TO REPLACE AN EXISTING LIFT**

STATION, PAYING ALL OR A PORTION OF THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION THEREWITH, AND PAYING COSTS OF ISSUANCE.

SECTION TWO. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF THE CERTIFICATES OF OBLIGATION. Each certificate of obligation issued pursuant to and for the purpose described in Section 1 of this Ordinance shall be designated: **CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018A**, and initially there shall be issued, sold and delivered hereunder one fully registered certificate of obligation, without interest coupons, dated November 1, 2018, in the aggregate principal amount of **\$8,000,000**, numbered T-1 (the "*Initial Certificate of Obligation*"), with certificates of obligation issued in replacement thereof being in the denomination of \$5,000 or any integral multiple thereof and numbered consecutively from R-1 upward, all payable to the initial registered owner thereof (with the Initial Certificate of Obligation being payable to the initial purchaser designated in Section 16 hereof), or to the registered assignee or assignees of said certificates of obligation or any portion or portions thereof (in each case, the "**Registered Owner**"), and the certificates of obligation shall mature and be payable serially on **August 15** in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)	YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)	YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)
2021	5,000	2031	245,000	2041	300,000
2022	215,000	2032	245,000	4042	305,000
2023	215,000	2033	250,000	2043	310,000
2024	220,000	2034	255,000	2044	320,000
2025	220,000	2035	260,000	2045	325,000
2026	225,000	2036	270,000	2046	335,000
2027	225,000	2037	275,000	2047	345,000
2028	230,000	2038	280,000	2048	350,000
2029	235,000	2039	285,000	2049	360,000
2030	240,000	2040	290,000	2050	365,000

The term "*Certificates of Obligation*" as used in this Ordinance shall mean and include the Certificates of Obligation initially issued and delivered pursuant to this Ordinance and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "*Certificate of Obligation*" shall mean any of the Certificates of Obligation.

SECTION THREE. INTEREST. The Certificates of Obligation shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM CERTIFICATE OF OBLIGATION set forth in this Ordinance to their respective dates of maturity or prior redemption at the following rates per annum:

YEAR OF Maturity	Interest Rate (%)	YEAR OF Maturity	Interest Rate (%)	YEAR OF Maturity	Interest Rate (%)
2021	0.93	2031	1.88	2041	2.30
2022	1.02	2032	1.92	4042	2.32
2023	1.11	2033	1.97	2043	2.33
2024	1.21	2034	2.02	2044	2.34
2025	1.31	2035	2.07	2045	2.35
2026	1.42	2036	2.12	2046	2.36
2027	1.54	2037	2.17	2047	2.37
2028	1.64	2038	2.21	2048	2.38
2029	1.75	2039	2.24	2049	2.38
2030	1.83	2040	2.28	2050	2.38

Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance.

SECTION FOUR. CHARACTERISTICS OF THE CERTIFICATES OF OBLIGATION; APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT.

(a) Registration, Transfer, and Exchange; Authentication. The City shall keep or cause to be kept at the designated corporate trust or commercial banking office (currently located in Houston, Texas) of **U.S. BANK NATIONAL ASSOCIATION** (the "**Paying Agent/Registrar**") books or records for the registration of the transfer and exchange of the Certificates of Obligation (the "**Registration Books**"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as Exhibit A is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor, Mayor Pro-Tem and City Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate of Obligation to which payments with respect to the Certificates of Obligation shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Certificates of Obligation shall be made within three business days after request and presentation thereof. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Certificate of Obligation or Certificates of Obligation shall be paid as provided in the FORM CERTIFICATE OF OBLIGATION set forth in this Ordinance. Registration of assignments, transfers and exchanges of Certificates of Obligation shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance. Each substitute Certificate of Obligation shall bear a letter and/or number to distinguish it from each other Certificate of Obligation.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate of Obligation, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Certificate of Obligation shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates of Obligation and Certificates of Obligation surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Certificate of Obligation or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates of Obligation in the manner prescribed herein, and said Certificates of Obligation shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, and particularly Subchapter D and Section 1201.067 thereof, the duty of transfer and exchange of Certificates of Obligation as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Certificate of Obligation shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates of Obligation which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) *Payment of Certificates of Obligation and Interest.* The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates of Obligation, all as provided in this Ordinance. The Paying Agent/ Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Certificates of Obligation.

(c) *In General.* The Certificates of Obligation (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates of Obligation to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the City at least 50 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be exchanged for other Certificates of Obligation, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) shall be payable as to principal and interest, and (viii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Certificates of Obligation, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance. The Initial Certificate of Obligation is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate of Obligation issued in exchange for the Initial Certificate of Obligation issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF CERTIFICATE OF OBLIGATION. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Certificate of Obligation delivered on the closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF CERTIFICATE OF OBLIGATION below, manually executed by the Comptroller of Public Accounts of the State of Texas or by her duly authorized agent, which certificate shall be evidence that the Initial Certificate of Obligation has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) *Substitute Paying Agent/Registrar.* The City covenants with the registered owners of the Certificates of Obligation that at all times while the Certificates of Obligation are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Certificates of Obligation under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates of Obligation, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates of Obligation, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar

shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) *Book-Entry Only System for Certificates of Obligation.* The Certificates of Obligation issued in exchange for the Certificates of Obligation initially issued to the purchaser specified in Section 16 herein shall be initially issued in the form of a separate single fully registered Certificate of Obligation for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate of Obligation shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (i) hereof, all of the outstanding Certificates of Obligation shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Certificates of Obligation registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates of Obligation. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates of Obligation, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Certificates of Obligation, as shown on the Registration Books, of any notice with respect to the Certificates of Obligation, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Certificates of Obligation, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates of Obligation. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate of Obligation is registered in the Registration Books as the absolute owner of such Certificate of Obligation for the purpose of payment of principal and interest with respect to such Certificate of Obligation, for the purpose of registering transfers with respect to such Certificate of Obligation, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates of Obligation only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Certificates of Obligation to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Certificate of Obligation certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(f) *Successor Securities Depository; Transfers Outside Book-Entry Only Systems.* In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC or that it is in the best interest of the beneficial owners of the Certificates of Obligation that they be able to obtain certificated Certificates of Obligation, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates of Obligation to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates of Obligation and transfer one or more separate Certificates of Obligation to DTC Participants having Certificates of Obligation credited to their DTC accounts; *provided, however, in no event shall the City discontinue the use of DTC as the securities depository for the Certificates of Obligation and appoint a successor securities depository in accordance with the preceding provisions without prior notice and consent of the Texas Water Development Board for so long as the Texas Water Development Board is the holder of any of the Certificates of Obligation.* In such event, the Certificates of Obligation shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Certificates of Obligation shall designate, in accordance with the provisions of this Ordinance. Notwithstanding the foregoing, so long as the Texas Water Development Board is the registered owner of any of the Certificates of Obligation, the City shall not discontinue the book-entry-only system with DTC without written notice to and consent from the Texas Water Development Board or its authorized representative.

(g) *Payments to Cede & Co.* Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate of Obligation is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Certificate of Obligation and all notices with respect to such Certificate of Obligation shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

(h) *DTC Letter of Representations.* The officers of the City are herein authorized for and on behalf of the City and as officers of the City to enter into one or more Letters of Representations with DTC establishing the book-entry only system with respect to the Certificates of Obligation.

(i) *Delivery of Initial Certificate of Obligation.* On the closing date, one Initial Certificate of Obligation representing the entire principal amount of the respective series of Certificates of Obligation, payable in stated installments to the initial registered owner named in Section 16 of this Ordinance or its designee, executed by manual or facsimile signature of the Mayor or Mayor Pro-Tem and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Certificate of Obligation, the Paying Agent/Registrar shall cancel the Initial Certificate of Obligation and deliver to the initial registered owner or its designee one registered definitive Certificate of Obligation for each year of

maturity of the Certificates of Obligation, in the aggregate principal amount of all of the Certificates of Obligation for such maturity.

SECTION FIVE. FORM OF CERTIFICATE OF OBLIGATION. The form of the Certificates of Obligation, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Certificates of Obligation initially issued and delivered pursuant to this Ordinance), shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF CERTIFICATE OF OBLIGATION

R-__	UNITED STATES OF AMERICA	PRINCIPAL
	STATE OF TEXAS	AMOUNT
	COUNTY OF KERR	\$_____
	CITY OF KERRVILLE, TEXAS	
	COMBINATION TAX AND SURPLUS REVENUE	
	CERTIFICATES OF OBLIGATION, SERIES 2018A	

INTEREST RATE	MATURITY DATE	DATE OF SERIES	CUSIP NO.
_____ %	August 15, 20__	November 1, 2018	492422 ____

REGISTERED OWNER:

PRINCIPAL AMOUNT: **DOLLARS**

ON THE MATURITY DATE specified above, the **CITY OF KERRVILLE, TEXAS** (the "City"), being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount set forth above, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve 30-day months) from the date of initial delivery of this Certificate of Obligation (as shown on the records of the Paying Agent/Registrar, defined below) at the Interest Rate per annum specified above, on February 15, 2019, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above; except that if this Certificate of Obligation is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the

interest on the Certificate of Obligation or Certificates of Obligation, if any, for which this Certificate of Obligation is being exchanged is due but has not been paid, then this Certificate of Obligation shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate of Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate of Obligation shall be paid to the Registered Owner hereof upon presentation and surrender of this Certificate of Obligation at maturity or upon the date fixed for redemption prior to maturity, at the designated corporate trust or commercial banking office of U.S. Bank National Association, which is the "**Paying Agent/Registrar**" for this Certificate of Obligation. The payment of interest on this Certificate of Obligation shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Certificate of Obligation (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the "**Record Date**") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "**Special Record Date**") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "**Special Payment Date**" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner appearing on the Registration Books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Certificate of Obligation prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Certificate of Obligation for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Certificates of Obligation shall be payable in the regular manner described above). The City covenants with the Registered Owner of this Certificate of Obligation that on or before each principal payment date, interest payment date and accrued interest payment date for this Certificate of Obligation it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates of Obligation, when due.

NOTWITHSTANDING THE FOREGOING, as long as the Texas Water Development Board is the owner of this Certificate of Obligation, payment of principal on this Certificate of Obligation shall be made by wire transfer to the Texas Water Development Board and at no cost to the Texas Water Development Board.

IF THE DATE FOR THE PAYMENT OF the principal of or interest on this Certificate of Obligation shall be 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, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE OF OBLIGATION is one of a series of Certificates of Obligation dated as of November 1, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of **[\$8,000,000]** **THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO PLAN, ACQUIRE, DESIGN AND CONSTRUCT EXTENSIONS AND IMPROVEMENTS TO THE CITY'S SANITARY SEWER SYSTEM, INCLUDING THE CONSTRUCTION AND EQUIPPING OF A NEW LIFT STATION WITHIN THE SANITARY SEWER SYSTEM KNOWN GENERALLY AS THE "LEGION LIFT STATION" AND RELATED IMPROVEMENTS TO REPLACE AN EXISTING LIFT STATION, PAYING ALL OR A PORTION OF THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION THEREWITH, AND PAYING COSTS OF ISSUANCE.**

ON FEBRUARY 15, 2029, AND ON ANY DATE THEREAFTER, the Certificates of Obligation of this Series maturing on or after August 15, 2029, may be redeemed, in whole or in part, at the option of the City (and if in part the Certificates of Obligation of this Series shall be redeemed in inverse order of maturity and the Paying Agent/Registrar shall determine, by lot or other customary method within a maturity, the particular Certificates of Obligation to be redeemed), at a redemption price equal to the principal amount of the Certificates of Obligation to be redeemed plus accrued interest to the redemption date; provided, that during any period in which ownership of the Certificates of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, if fewer than all of the Certificates of Obligation of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of Obligation of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository.

AT LEAST 30 DAYS PRIOR TO THE DATE FIXED for any redemption of Certificates of Obligation or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid to the Registered Owner of each Certificate of Obligation to be redeemed at its address as it appeared on the Registration Books maintained by the Paying Agent/Registrar on the day such notice of redemption is mailed. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. The notice with respect to an optional redemption of Certificates of Obligation may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind

such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates of Obligation or portions thereof which are to be so redeemed. If such written notice of redemption is mailed (and not rescinded), and if due provision for such payment is made, all as provided above, the Certificates of Obligation or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate of Obligation shall be redeemed a substitute Certificate of Obligation or Certificates of Obligation having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

ALL CERTIFICATES OF OBLIGATION OF THIS SERIES are issuable solely as fully registered Certificates of Obligation, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Certificate of Obligation, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully registered Certificates of Obligation, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate of Obligation or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate of Obligation may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate of Obligation or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for transferring and exchanging any Certificate of Obligation or portion thereof shall be paid by the City, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer or exchange as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the

close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

WHENEVER THE BENEFICIAL OWNERSHIP of this Certificate of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, the foregoing requirements of holding, delivering or transferring this Certificate of Obligation shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT ANY PAYING AGENT/REGISTRAR for the Certificates of Obligation is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Certificates of Obligation.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Certificate of Obligation has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate of Obligation, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law and that this Certificate of Obligation is additionally secured by a lien on and pledge of Surplus Revenues received by the City from the ownership and operation of the City's Waterworks and Sewer System, all as provided in the Ordinance authorizing the Certificates of Obligation.

THE CITY ALSO HAS RESERVED THE RIGHT TO AMEND the Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates of Obligation.

BY BECOMING THE REGISTERED OWNER of this Certificate of Obligation, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the City, and agrees that the terms and provisions of this Certificate of Obligation and the Ordinance constitute a contract between each Registered Owner hereof and the City.

IN WITNESS WHEREOF, the City has caused this Certificate of Obligation to be signed with the manual or facsimile signature of the Mayor or Mayor Pro-Tem of the City, and countersigned with the manual or facsimile signature of the City Secretary of the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this Certificate of Obligation.

Countersigned:

(facsimile signature)
City Secretary, City of Kerrville, Texas

(facsimile signature)
Mayor [Pro-Tem], City of Kerrville, Texas

(CITY SEAL)

**FORM OF REGISTRATION CERTIFICATE
OF THE COMPTROLLER OF PUBLIC ACCOUNTS:**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Certificate of Obligation has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Certificate of Obligation has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Certificate of Obligation is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the Ordinance described in the text of this Certificate of Obligation; and that this Certificate of Obligation has been issued in exchange for a certificate of obligation or certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

U.S. Bank National Association
Paying Agent/Registrar

By _____
Authorized Representative

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FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Certificate of Obligation, or duly authorized representative or attorney thereof, hereby sells, assigns and transfers this Certificate of Obligation and all rights hereunder unto _____

(Assignee's Social Security or
Taxpayer Identification Number) (Please print or typewrite Assignee's name and address,
including zip code)

and hereby irrevocably constitutes and appoints _____ attorney to transfer the registration of this Certificate of Obligation on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate of Obligation in every particular, without alteration or enlargement or any change whatsoever.

INITIAL CERTIFICATE OF OBLIGATION INSERTIONS

The Initial Certificate of Obligation shall be in the form set forth above except that:

- (A) Immediately under the name of the Certificate of Obligation, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below" and "CUSIP NO. _____" shall be deleted.
- (B) The first paragraph shall be deleted and the following shall be inserted:

"ON THE RESPECTIVE MATURITY DATES specified below, the **CITY OF KERRVILLE, TEXAS** (the "City"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the **"Registered Owner"**), the respective Principal Installments specified below, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve

30-day months) from the date of initial delivery of this Certificate of Obligation (as shown on the records of the Paying Agent/Registrar, defined below) at the respective Interest Rates per annum specified below, payable on February 15, 2019, and semiannually on each February 15 and August 15 thereafter to the respective Maturity Dates specified below. The respective Maturity Dates, Principal Installments and Interest Rates for this Certificate of Obligation are set forth in the following schedule:

MATURITY			MATURITY		
DATE <u>(AUGUST 15)</u>	PRINCIPAL <u>INSTALLMENT (\$)</u>	INTEREST <u>RATE (%)</u>	DATE <u>(AUGUST 15)</u>	PRINCIPAL <u>INSTALLMENT (\$)</u>	INTEREST <u>RATE (%)</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

[Insert principal and interest information from Sections 2 and 3 above]"

(C) The Initial Certificate of Obligation shall be numbered "T-1."

SECTION SIX. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST.

(a) *Interest and Sinking Fund, Tax Levy.* A special Interest and Sinking Fund for the Certificates of Obligation (the "**Interest and Sinking Fund**") is hereby created solely for the benefit of the Certificates of Obligation, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and principal of the Certificates of Obligation. All ad valorem taxes levied and collected for and on account of the Certificates of Obligation shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which, together with "Surplus Revenues" with respect to the Certificates of Obligation (as described in Section 7 below) actually then on deposit in the Interest and Sinking Fund to pay principal and interest coming due during such fiscal year, will be sufficient to raise and produce the money required to pay the interest on the Certificates of Obligation as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Certificates of Obligation as such principal matures (but never less than 2% of the original principal amount of the Certificates of Obligation as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the respective Interest and

Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates of Obligation, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the ad valorem taxes and Surplus Revenues granted by the City under Sections 6(a) and 7 of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates of Obligation are outstanding and unpaid such that the pledge of the ad valorem taxes or Surplus Revenues granted by the City under Sections 6(a) and 7 of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificates of Obligation the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION SEVEN. SURPLUS REVENUES. Pursuant to Section 271.052, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, the Certificates of Obligation additionally shall be payable from and secured by surplus revenues derived by the City from the City's Waterworks and Sewer System remaining after (a) payment of all amounts constituting operation and maintenance expenses of said Waterworks and Sewer System, and (b) payment of all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing (i) all bonds, and (ii) all other obligations not on a parity with the Certificates of Obligation, which are payable from and secured by any Waterworks and Sewer System revenues, and (c) payment of all amounts payable from any Waterworks and Sewer System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law (the "**Surplus Revenues**"). If for any reason the City fails to deposit ad valorem taxes levied pursuant to Section 6 hereof to the credit of the Interest and Sinking Fund in an amount sufficient to pay, when due, the principal of and interest on the Certificates of Obligations, then Surplus Revenues may be deposited to the credit of the Interest and Sinking Fund and used to pay such principal and/or interest. The City reserves, and shall have, the right to issue bonds and other obligations not on a parity with the Certificates of Obligation, and to enter into contracts, in accordance with applicable laws, to be payable from and secured by any Waterworks and Sewer System revenues.

In the event the City determines to pay all or a portion of the debt service on the Certificates of Obligation from Surplus Revenues during any fiscal year, the City shall comply with the following obligations and procedures:

(i) the City shall establish, adopt, and maintain an annual budget that provides for either (A) the monthly deposit of sufficient Surplus Revenues and/or ad valorem tax revenues, (B) the monthly deposit of any other legally available funds on hand at the time of adoption of such annual budget, or (C) a combination of (A) and (B) above, into the Interest and Sinking Fund for the payment of the Certificates of Obligation;

(ii) the City shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificates of Obligation until the amount on deposit therein equals the amount required for such annual debt service; and

(iii) the City shall, prior to the time taxes are to be levied for each fiscal year, establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations

(iv) the City shall:

(A) maintain and collect sufficient rates and charges from the City's Waterworks and Sewer System, in conjunction with any other legally available funds (including but not limited to ad valorem taxes levied to pay debt service on the Certificates of Obligation, if any), so that after payment of the costs of operating and maintaining the City's Waterworks and Sewer System, such rates and charges produce revenues in an amount not less than 1.10 times (1) the debt service requirements of the Certificates of Obligation which have been budgeted to be paid with revenues derived from the City's Waterworks and Sewer System, and (2) all outstanding obligations of the City which are secured in whole or in part by a pledge of revenues derived from the City's Waterworks and Sewer System and for which the City is budgeting the payment of debt service, or

(B) annually provide the Texas Water Development Board with documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the payment of debt service on the Certificates of Obligation, in conjunction with any other legally available funds, sufficient for the payment of debt service on the Certificates of Obligation.

SECTION EIGHT. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Kerrville, Texas Combination Tax and Revenue Certificates of Obligation (Series 2018A) Construction Fund* (herein called the "**Construction Fund**"). Proceeds from the sale and delivery of the Certificates of Obligation (other than proceeds representing accrued interest on the Certificates of Obligation and any premium on the Certificates of Obligation that is not used by the City to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, which shall be deposited in the Interest and Sinking Fund) shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Certificates of Obligation are issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of the Certificates of Obligation and the issuance of the Certificates of Obligation. All funds remaining on deposit in the Construction Fund

upon completion of the projects being financed with the proceeds from the Certificates of Obligation, if any, shall be transferred to the Interest and Sinking Fund.

SECTION NINE. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required, and investments purchased for and held in the Construction Fund shall have a final maturity of not later than the date the City reasonably expects the funds from such investments will be required to pay costs of the projects for which the Certificates of Obligation were issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; however, any such income and profits from investments in the Construction Fund may be withdrawn by the City and deposited in the Interest and Sinking Fund to pay all or a portion of the interest next coming due on the Certificates of Obligation. It is further provided, however, that any interest earnings on Certificate of Obligation proceeds which are required to be rebated to the United States of America pursuant to Section 14 hereof in order to prevent the Certificates of Obligation from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION TEN. EMPOWERED. The City Manager and Director of Finance are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest.

SECTION ELEVEN. DEFEASANCE OF THE CERTIFICATES OF OBLIGATION.

(a) Defeasance. Any Certificate of Obligation and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "**Defeased Certificate of Obligation**") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate of Obligation, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "**Future Escrow Agreement**") for such payment (1) lawful money of the United States of America sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates of Obligation shall have become due and payable. Thereafter, the City will have no further responsibility with respect to amounts available to the Paying Agent/Registrar for the payment of such Defeased

Certificate of Obligation, including any insufficiency therein caused by the failure of the escrow agent under such Future Escrow Agreement to receive payment when due on the Defeasance Securities. At such time as a Certificate of Obligation shall be deemed to be a Defeased Certificate of Obligation hereunder, as aforesaid, such Certificate of Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates of Obligation that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Certificates of Obligation for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates of Obligation immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) *Investment of Funds in Defeasance Securities.* Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates of Obligation and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates of Obligation may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates of Obligation, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

(c) *Definition of Defeasance Securities.* The term "**Defeasance Securities**" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates of Obligation.

(d) Duties of Paying Agent/Registrar. Until all Defeased Certificates of Obligation shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates of Obligation the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) Selection of Certificates of Obligation to be Defeased. In the event that the City elects to defease less than all of the principal amount of Certificates of Obligation of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates of Obligation by such random method as it deems fair and appropriate.

(f) Notice to Texas Water Development Board. So long as the Texas Water Development Board is the registered owner of any of the Certificates of Obligation, the City shall provide written notice to the Texas Water Development Board of a defeasance of the Certificates of Obligation pursuant to subsection (a)(ii) of this Section at least 30 days prior to funding a Future Escrow Agreement.

SECTION TWELVE. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES OF OBLIGATION.

(a) Replacement Certificates of Obligation. In the event any outstanding Certificate of Obligation is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate of Obligation, in replacement for such Certificate of Obligation in the manner hereinafter provided.

(b) Application for Replacement Certificates of Obligation. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates of Obligation shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner applying for a replacement certificate of obligation shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate of Obligation, as the case may be. In every case of damage or mutilation of a Certificate of Obligation, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate of Obligation so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate of Obligation shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate of Obligation, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate of Obligation) instead of issuing a

replacement Certificate of Obligation, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates of Obligation. Prior to the issuance of any replacement certificate of obligation, the Paying Agent/Registrar shall charge the registered owner of such Certificate of Obligation with all legal, printing, and other expenses in connection therewith. Every replacement certificate of obligation issued pursuant to the provisions of this Section by virtue of the fact that any Certificate of Obligation is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Certificate of Obligation shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates of Obligation duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates of Obligation. In accordance with Chapter 1201, Texas Government Code, as amended, this Section of this Ordinance shall constitute authority for the issuance of any such replacement certificate of obligation without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such certificates of obligations is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates of Obligation in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Certificates of Obligation issued in exchange for other Certificates of Obligation.

SECTION THIRTEEN. CUSTODY, APPROVAL, AND REGISTRATION OF THE CERTIFICATES OF OBLIGATION; BOND COUNSEL'S OPINION, BOND INSURANCE, AND CUSIP NUMBERS. The Mayor or Mayor Pro-Tem of the City is hereby authorized to have control of the Certificates of Obligation initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates of Obligation pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates of Obligation said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates of Obligation, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City), a statement regarding the issuance of a municipal bond insurance policy to secure payment of debt service on the Certificates of Obligation, if any, and the assigned CUSIP numbers may, at the option of the City, be printed on the Certificates of Obligation issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates of Obligation.

SECTION FOURTEEN. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE CERTIFICATES OF OBLIGATION.

(a) *Covenants.* The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Certificates of Obligation as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates of Obligation or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the Certificates of Obligation or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates of Obligation, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates of Obligation or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates of Obligation (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Certificates of Obligation being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates of Obligation being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates of Obligation, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates of Obligation, other than investment property acquired with --

- (A) proceeds of the Certificates of Obligation invested for a reasonable temporary period of three years or less until such proceeds are needed for the purpose for which the Certificates of Obligation are issued,
- (B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and
- (C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates of Obligation;

(7) to otherwise restrict the use of the proceeds of the Certificates of Obligation or amounts treated as proceeds of the Certificates of Obligation, as may be necessary, so that the Certificates of Obligation do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Certificates of Obligation or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Certificates of Obligation in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates of Obligation) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates of Obligation have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) **Rebate Fund**. In order to facilitate compliance with the above covenant (8), a "**Rebate Fund**" is hereby established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the holders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) **Proceeds**. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates of Obligation, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates of Obligation under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the

Certificates of Obligation, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates of Obligation under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager or the Director of Finance of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates of Obligation.

(d) Allocation of, and Limitation on, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (collectively referred to herein as the "**Project**") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates of Obligation, or (2) the date the Certificates of Obligation are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The City covenants that the property constituting the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates of Obligation. For purpose of the foregoing, the City may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Written Procedures. Unless superseded by another action of the City, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitration and rebate, the City Council hereby adopts and establishes the instructions attached hereto as Exhibit B as the City's written procedures.

(g) Reimbursement. This Ordinance is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

SECTION FIFTEEN. CONTINUING DISCLOSURE UNDERTAKING. On the basis of the private placement exception to the continuing disclosure requirements set forth in SEC Rule 15c2-12 (the "**Rule**"), 17 CFR 240.15c2-12, the City has not and does not undertake to provide continuing information about its financial condition, results of operation or other data subsequent to the issuance of the Certificates of Obligation. Notwithstanding the foregoing, the City covenants to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Rule and determined as if the Texas Water Development Board was a "participating underwriter" with the meaning of the Rule, such continuing disclosure undertaking being for the benefit of the Texas Water Development Board and the beneficial owner of the Certificates of Obligation if the Texas Water Development Board sells or otherwise transfers any of the Certificates of Obligation and the beneficial owners of the Texas Water Development Board's bonds if the City is an obligated person with respect to the Texas Water Development Board's bonds under the Rule. On that basis, the City hereby agrees to provide continuing disclosure as set forth below:

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"**EMMA**" means the Electronic Municipal Market Access system being established by the MSRB.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Rule**" means SEC Rule 15c2-12, as amended from time to time.

"**SEC**" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB through EMMA within six months after the end of each fiscal year ending in or after 2018, financial information and operating data with respect to the City of the general type included in the final Official Statement related to the City's *Combination Tax and Revenue Certificates of Obligation, Series 2016*, being the information described in Exhibit C hereto as the "**Annual Operating Report**." Additionally, within six months after the end of each fiscal year, the City will provide financial statements of the City (the "**Financial Statements**") which shall be (1) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. If the audit of such Financial Statements is not complete within such period, then the City shall provide (1) unaudited Financial Statements for such fiscal year within such six month period, and (2) audited Financial Statements for the applicable fiscal year

to the MSRB through EMMA when and if the audit report on such Financial Statements become available.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the date of the new fiscal year end prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this paragraph (b).

The financial information and operating data to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the SEC.

(c) *Event Notices.*

(i) The City shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates of Obligation, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of holders;
3. Redemption calls;
4. Release, substitution, or sale of property securing repayment of the Certificates of Obligation;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The City shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates of Obligation, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates of Obligation, or other events affecting the tax status of the Certificates of Obligation;
6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

(iii) The City shall notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates of Obligation within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Section 11 of this Ordinance that causes Certificates of Obligation no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Certificates of Obligation, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates of Obligation at any future date.

UNDER NO CIRCUMSTANCES SHALL THE COUNTY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OF OBLIGATION OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE COUNTY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates of Obligation in the primary offering of the Certificates of Obligation in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates of Obligation consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates of Obligation. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates of Obligation in the primary offering of the Certificates of Obligation. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION SIXTEEN. SALE AND DELIVERY OF THE CERTIFICATES OF OBLIGATION. The Certificates of Obligation are hereby sold and shall be delivered to the **TEXAS WATER DEVELOPMENT BOARD** in accordance with the rules and regulations of the Texas Water Development Board for a total purchase price of par and no accrued interest. In satisfaction of Section 1201.022(a)(3), Texas Government Code, and upon consultation with the City's Financial Advisor, the City Council hereby determines that the final terms of the Certificates of Obligation

as set forth in this Ordinance are in the City's best interests. The Certificates of Obligation initially shall be registered in the name of the **TEXAS WATER DEVELOPMENT BOARD**.

SECTION SEVENTEEN. APPROVAL OF ESCROW AGREEMENT; DEPOSIT OF PROCEEDS. Concurrently with the initial delivery of the Certificates of Obligation, the City shall deposit *[\$8,000,000]* (less the related origination fee to be retained by the Texas Water Development Board) of the proceeds of the Certificates of Obligation into an escrow fund established with **U.S. BANK NATIONAL ASSOCIATION** (the "*Escrow Agent*") pursuant to an Escrow Agreement between the City and the Escrow Agent, in substantially the form attached hereto as *Exhibit D*. The Escrow Agreement, which will govern the periodic disbursement of such proceeds of the Certificates of Obligation upon approval of the Texas Water Development Board, is hereby approved in substantially final form, and the Mayor is hereby authorized, for and on behalf of the City, to approve any changes in the Escrow Agreements from the form attached hereto and to execute the Escrow Agreement in final form. All funds on deposit in the escrow fund which are approved by the Texas Water Development Board to be transferred to the City in order to pay eligible project costs (instead of the Escrow Agent paying such project costs directly from the escrow funds to the appropriate vendor or service provider) shall be deposited by the City into the "18-107 Account" of the Construction Fund, which is hereby authorized to be created. Funds on deposit in the Construction Fund (i) may be invested from time to time in the manner provided by Section 9 of this Ordinance, and (ii) shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended.

In satisfaction of the condition imposed in paragraph 7 of the TWDB Resolution, the City shall use any proceeds from the Certificates of Obligation that are determined to be remaining unused funds, which are those funds unspent after the original approved Projects is completed, for enhancements to the original Projects that are explicitly approved by the Executive Administrator of the Texas Water Development Board or, if no enhancements are so authorized, the City shall submit a final accounting and disposition of any unused funds.

Additionally, in satisfaction of the condition imposed in paragraph 8 of the TWDB Resolution, any proceeds of the Certificates of Obligation remaining on deposit in the escrow fund and the 18-107 Account of the Construction Fund upon completion of the Projects and completion of a final accounting, shall be used for any of the following purposes as approved by the City and the Executive Administrator of the Texas Water Development Board: (i) to redeem, in inverse annual order, the outstanding Certificates of Obligation owned by the Texas Water Development Board; (ii) to deposit into the Interest and Sinking Fund for the payment of interest or principal on the Certificates of Obligation owned by the Texas Water Development Board; or (iii) deposit into a reserve fund, if applicable.

SECTION EIGHTEEN. FINAL ACCOUNTING. In accordance with 31 TAC 375.91(a)(2)(N) and 31 TAC 375.106, the City shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by the City for the Project being financed by the City with proceeds of the Certificates of Obligation together with a copy of "as built" plans

of the Project pursuant to 31 TAC 375.104. If the Project as finally completed is built at a total cost less than the amount of available funds for building the Project, or if the Executive Administrator of the Texas Water Development Board disapproves construction of any portion of the Project as not being in accordance with the plans and specifications, the City agrees to immediately, with filing of the final accounting, return to the Texas Water Development Board the amount of any such excess and/or the cost determined by the Executive Administrator of the Texas Water Development Board relating to the parts of the Project not built in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Certificates of Obligation, upon the surrender and cancellation of a like amount of such Certificates of Obligation held by the Texas Water Development Board in inverse order of their stated maturities. In determining the amount of available funds for building the Project, the City agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Texas Water Development Board, if any, all other funds available for the Project as described in the project engineer's or fiscal representative's sufficiency of funds statement, and all interest earned by the City on money in the Construction Fund.

SECTION NINETEEN. COMPLIANCE WITH THE RULES AND REGULATIONS OF, AND WITH SPECIFIC COVENANTS REQUIRED BY, THE TEXAS WATER DEVELOPMENT BOARD.

(a) Compliance with Rules and Regulations of the Texas Water Development Board. As required by 31 TAC 375.41(b)(2)(E), the City covenants to comply with all applicable federal laws, rules, and regulations as well as the laws of the State of Texas and the rules and regulations of the Texas Water Development Board.

(b) Exercise of Remedies. In satisfaction of the condition imposed in paragraph 9 of the TWDB Resolution, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Certificates of Obligation that restricts or limits the TWDB's full exercise of such remedies shall be of no force and effect.

(c) Proceeds to Certificates of Obligation to be Held at a Designated State Depository. In satisfaction of the condition imposed in paragraph 10 of the TWDB Resolution, and notwithstanding anything to the contrary set forth in this Ordinance including specifically Section 8 hereof, the proceeds of the Certificates of Obligation shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(d) Prohibition on Use of Proceeds Related to Contaminated Soil; Indemnification. In satisfaction of the condition imposed in paragraph 11 of the TWDB Resolution, no proceeds of the Certificates of Obligation shall be used by the City for the purpose of paying for sampling, testing, removing or disposing of contaminated soils and/or media at the project site. To the extent permitted by law, the City hereby agrees to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims, causes of action or damages to the person or property

of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project.

(e) *No Acquisition of Source Series Bonds.* In satisfaction of the condition imposed in paragraph 25 of the TWDB Resolution, neither the City nor a related party thereto will acquire any of the Texas Water Development Board's "Source Series Bonds" in an amount related to the amount of the Certificates of Obligation to be acquired from the City by the Texas Water Development Board.

(f) *Outlay Reports.* In satisfaction of the condition imposed in paragraph 26 of the TWDB Resolution, City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with Texas Water Development Board outlay report guidelines.

(g) *Compliance with Davis-Bacon Act Provisions.* In satisfaction of the condition imposed in paragraph 27 of the TWDB Resolution, City covenants that all laborers and mechanics employed by contractors and subcontractors for projects financed with proceeds of the Certificates of Obligation shall be paid wages at rates not less than those prevailing on projects of a similar character in the City in accordance with the federal Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City and all contractors and sub-contractors employed by the City shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the Texas Water Development Board.

(h) *Compliance with Federal Funding Accountability and Transparency Act; DUNS Number; SAM.* In satisfaction of the condition imposed in paragraph 28 of the TWDB Resolution, the City shall provide the Texas Water Development Board with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252, and the City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Certificates of Obligation are outstanding.

(i) *Timely Use of Proceeds.* In satisfaction of the condition imposed in paragraph 29 of the TWDB Resolution, all proceeds of the Certificates of Obligation will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and the City will adhere to a project schedule approved by the Executive Administrator of the Texas Water Development Board which shall not be altered except for good cause shown and only with the written approval of the Executive Administrator.

(j) Use of Iron and Steel Products. In satisfaction of the condition imposed in paragraph 30 of the TWDB Resolution, the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC §375.3, 33 U.S.C. §1388, and related State Revolving Fund Policy Guidelines;

(k) *Maintenance of Projects Accounts.* In satisfaction of the condition imposed in paragraph 31 of the TWDB Resolution, the City will comply with the requirements set forth in 33 U.S.C. § 1382 et seq. related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets.

(l) *Useful Life Schedule and Average Weighted Maturity Certification.* In satisfaction of the condition imposed in paragraph 32 of the TWDB Resolution, the City will submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the City that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the Projects, as determined by the schedule.

(m) *Payment of Origination Fee.* In satisfaction of the condition imposed in paragraph 33 of the TWDB Resolution, prior to or concurrent with the closing and delivery of the Certificates of Obligation, the City covenants and agrees that it will pay an origination fee to the Texas Water Development Board in the amount of **\$137,590.00** (which amount is equal to 1.75% of the principal amount of the Certificates of Obligation calculated pursuant to 31 TAC Chapter 375).

(n) *Records and Accounts; Annual Audit.* The City covenants that (i) as required by 31 TAC 375.91(a)(2)(L), it will keep current, accurate and complete records and accounts in accordance with generally accepted accounting principles necessary to demonstrate compliance with financial assistance-related legal and contractual provisions, and (ii) as required by 31 TAC 375.91(a)(2)(M), following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants in accordance with generally accepted auditing standards, and will furnish a copy thereof, within 180 days of the end of such fiscal year, to the Texas Water Development Board, Attention: Executive Administrator.

(o) *Maintenance of Insurance on the City's Waterworks and Sewer System to Protect Interests of the TWDB.* The City covenants that, as required by 31 TAC 375.91(a)(2)(J), it will obtain and maintain insurance coverage on the City's Waterworks and Sewer System in an amount sufficient to protect the Board's interest in the project being financed with proceeds of the Certificates of Obligation.

SECTION TWENTY. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS AND APPROVE CHANGES. The Mayor, Mayor Pro-Tem, City Secretary, City Manager and Director of Finance of the City, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates of Obligation, the sale of the Certificates of Obligation, the Official Statement, the Purchase Contract, and the Paying Agent/Registrar

Agreement. In addition, prior to the initial delivery of the Certificates of Obligation, the Mayor, Mayor Pro-Tem, City Secretary, City Manager, Director of Finance, the City Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy any requirements of the provider of a municipal bond insurance policy, if any, (iii) satisfy requirements of the Texas Water Development Board, or (iv) obtain the approval of the Certificates of Obligation by the Attorney General's office. In case any officer whose signature shall appear on any Certificate of Obligation shall cease to be such officer before the delivery of such Certificate of Obligation, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. The Director of Finance of the City is further authorized to pay to the Attorney General of Texas prior to the delivery of the Certificates of Obligation, for the Attorney General's review of the transcript of proceedings related to the Certificates of Obligation, the amount required pursuant to Section 1202.004, Texas Government Code, as amended.

SECTION TWENTY-ONE. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owners of the Certificates of Obligation, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Certificate of Obligation remains outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners. The City may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Certificates of Obligation then outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of all of the Registered Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates of Obligation, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Certificate of Obligation over any other Certificate of Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Certificates of Obligation required for consent to any such amendment, change, modification, or rescission. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owners, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owners at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Registered Owners of a majority in aggregate principal amount of the Certificates of Obligation then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Registered Owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon,

but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION TWENTY-TWO. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates of Obligation, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance and the continuation thereof for 30 days after the City has received written notice of such defaults, the Holders of any of the Certificates of Obligation shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION TWENTY-THREE. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Underwriters and the registered owners of the Certificates of Obligation, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Underwriters and the registered owners of the Certificates of Obligation.

SECTION TWENTY-FOUR. APPROPRIATION TO PAY PRINCIPAL AND INTEREST. The City Council hereby finds that there are sufficient funds available to pay the principal and interest on the Certificates of Obligation coming due on [August] 15, 2019, and hereby directs the Director of Finance to transfer on or before such date available funds to the Interest and Sinking Fund in an amount sufficient to pay such principal and interest coming due on such dates.

SECTION TWENTY-FIVE. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION TWENTY-SIX. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION TWENTY-SEVEN. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately after its adoption by the City Council.

[The remainder of this page left blank intentionally.]

**PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF
KERRVILLE, TEXAS AT A REGULAR MEETING ON THE 13TH DAY OF NOVEMBER,
2018, AT WHICH MEETING A QUORUM WAS PRESENT.**

Bill Blackburn, Mayor

ATTEST:

Cheryl Brown, Interim City Secretary

APPROVED AS TO FORM:

Michael C. Hayes, City Attorney

(CITY SEAL)

** ** ** ** **

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

THE PAYING AGENT/REGISTRAR AGREEMENT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

EXHIBIT B

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Certificates, the City's chief financial officer (the "**Responsible Person**"), which currently is the City's Director of Finance, will:

- (i) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Certificates will be entered into within six (6) months of the date of delivery of the Certificates (the "**Issue Date**");
- (ii) monitor that at least 85% of the proceeds of the Certificates to be used for the construction, renovation or acquisition of any facilities are expended within three (3) years of the Issue Date;
- (iii) restrict the yield of the investments to the yield on the Certificates after three (3) years of the Issue Date;
- (iv) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Certificates does not exceed an amount equal to the debt service on the Certificates in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Certificates for the immediately preceding 12-month period;
- (v) ensure that no more than 50% of the proceeds of the Certificates are invested in an investment with a guaranteed yield for 4 years or more;
- (vi) maintain any official action of the City (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Certificates any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- (vii) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
- (viii) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (A) at least every 5 years after the Issue Date and (B) within 30 days after the date the Certificates are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Certificates the Responsible Person will:

- (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- (ii) monitor whether, at any time the Certificates are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- (iii) monitor whether, at any time the Certificates are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- (iv) monitor whether, at any time the Certificates are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- (v) determine whether, at any time the Certificates are outstanding, any person, other than the City, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Certificates are outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Certificates and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Certificates. If any portion of the Certificates is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Person. The Responsible Person shall receive appropriate training regarding the City's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Certificates. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

EXHIBIT C

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 15 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The annual audited financial statements of the City or the unaudited financial statements of the City in the event audited financial statements are not completed within six months after the end of any fiscal year.
2. All quantitative financial information and operating data with respect to the City of the general type included in Appendix A of the Official Statement related to the City's *Combination Tax and Revenue Certificates of Obligation, Series 2016* under Tables 1 through 6 and 8 through 15 (referred to in Section 15 of this Ordinance as the "Annual Operating Report") within six months after the end of any fiscal year.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

EXHIBIT D

FORM OF ESCROW AGREEMENT

THE ESCROW AGREEMENT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

Project & Funding Calendar

Date	Activity
03/27/18	Council approves resolution authorizing TWDB funding application (Legion Lift)
04/20/18	Legion Lift funding application submitted to TWDB
04/24/18	Council approves resolution authorizing TWDB funding application (TTHM)
06/12/18	Council approves \$2M EIC funding agreement for Legion Lift
06/22/18	TTHM funding application submitted to TWDB
09/12/18	TWDB notified City that both applications have been approved
09/25/18	Resolution authorizing publication
10/03/18	First publication of notice of intention to issue debt
10/10/18	Second publication of notice of intention to issue debt
11/06/18	TWDB sets interest rates
11/13/18	Ordinances authorizing issuance of debt
12/06/18	Debt closing
Dec 2018	Award bids - both projects
Jan 2019	Construction begins on both projects. Completion expected by early 2020.

Debt Service Model - Water and Sewer Fund
Debt Capacity Analysis

Year	Legion Lift	TTHM	CIP	CIP				REVENUE		
	2018 \$8.0/2.29% 30 yr TWDB	2019 \$5.0/2.25% 30 yr TWDB	2023 \$10.0/3.0%	2027 \$4.0/4.0%	Total New Debt Service	Existing Annual Debt Service	Total Annual Debt Service	W&S Revenue Forecast	35% of Revenue Limit	Remaining Capacity
2019	112,563	66,969			179,532	3,745,583	3,925,115	12,528,732	4,385,056	459,941
2020	162,742	101,823			264,565	3,965,203	4,229,768	13,085,217	4,579,826	350,058
2021	167,742	231,784			399,526	3,697,477	4,097,003	13,373,601	4,680,760	583,758
2022	377,696	230,596			608,292	3,709,834	4,318,126	13,582,149	4,753,752	435,627
2023	375,503	234,286	333,333		943,122	3,720,483	4,663,605	13,795,827	4,828,539	164,934
2024	378,116	232,802	481,400		1,092,318	3,810,426	4,902,744	14,217,269	4,976,044	73,300
2025	375,454	231,178	672,350		1,278,982	3,793,786	5,072,768	14,553,961	5,093,886	21,118
2026	377,572	234,414	692,706		1,304,692	3,758,122	5,062,814	14,900,664	5,215,232	152,418
2027	374,377	232,428	695,556	214,111	1,516,472	3,730,533	5,247,005	15,257,710	5,340,198	93,194
2028	375,912	235,267	670,750	294,000	1,575,929	3,715,694	5,291,623	15,625,443	5,468,905	177,283

Assumptions:

1. Water rate increases:

FY2019 - 4%

FY2020 - 6%

2. Sewer rate increases:

FY2019 - 2%

FY2020 - 2%

FY2021 - 2%

3. Assumes \$2M cash funding of Legion Lift Station project from EIC



Contacts

Anne Burger Entrekin

Regional Managing Director

anne.burgerentrekin@hilltopsecurities.com
70 Northeast Loop 410, Suite 710
San Antonio, Texas 78216
Direct: 210.308.2200

Chris Freeman

Associate

chris.freeman@hilltopsecurities.com
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214-953-4088

Gabriella Briceno

Assistant Vice President

Gabriella.Briceno@hilltopsecurities.com
300 W. Sixth Street, Suite 1940
Austin, Texas 78701
Direct: 512.481.2008

Chris Freeman

Associate

chris.freeman@hilltopsecurities.com
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Direct: 214-953-4088

Lawrence Kostiw

Analyst

lawrence.kostiw@hilltopsecurities.com
70 Northeast Loop 410, Suite 710
San Antonio, Texas 78216
Direct: 210.308.2208

Transactions Summary

City of Kerrville, Texas Funding Through Texas Water Development Board

\$8,000,000 Combination Tax and Surplus Revenue Certificates of Obligation,
Series 2018A (Clean Water SRF)

\$5,000,000 Combination Tax and Surplus Revenue Certificates of Obligation,
Series 2018B (Drinking Water SRF)



November 13, 2018

City of Kerrville

City of Kerrville Interest Rates



Kerrville Interest Rates as of November 6, 2018

Year	Kerrville Rates AA	Clean Water SRF		Drinking Water SRF	
		Rate Subsidy 1.30% Subsidy	City's Interest Rate	Rate Subsidy 1.35% Subsidy	City's Interest Rate
2019	1.98%	1.30%	0.68%	1.35%	0.63%
2020	2.14%	1.30%	0.84%	1.35%	0.79%
2021	2.23%	1.30%	0.93%	1.35%	0.88%
2022	2.32%	1.30%	1.02%	1.35%	0.97%
2023	2.41%	1.30%	1.11%	1.35%	1.06%
2024	2.51%	1.30%	1.21%	1.35%	1.16%
2025	2.61%	1.30%	1.31%	1.35%	1.26%
2026	2.72%	1.30%	1.42%	1.35%	1.37%
2027	2.84%	1.30%	1.54%	1.35%	1.49%
2028	2.94%	1.30%	1.64%	1.35%	1.59%
2029	3.05%	1.30%	1.75%	1.35%	1.70%
2030	3.13%	1.30%	1.83%	1.35%	1.78%
2031	3.18%	1.30%	1.88%	1.35%	1.83%
2032	3.22%	1.30%	1.92%	1.35%	1.87%
2033	3.27%	1.30%	1.97%	1.35%	1.92%
2034	3.32%	1.30%	2.02%	1.35%	1.97%
2035	3.37%	1.30%	2.07%	1.35%	2.02%
2036	3.42%	1.30%	2.12%	1.35%	2.07%
2037	3.47%	1.30%	2.17%	1.35%	2.12%
2038	3.51%	1.30%	2.21%	1.35%	2.16%
2039	3.54%	1.30%	2.24%	1.35%	2.19%
2040	3.58%	1.30%	2.28%	1.35%	2.23%
2041	3.60%	1.30%	2.30%	1.35%	2.25%
2042	3.62%	1.30%	2.32%	1.35%	2.27%
2043	3.63%	1.30%	2.33%	1.35%	2.28%
2044	3.64%	1.30%	2.34%	1.35%	2.29%
2045	3.65%	1.30%	2.35%	1.35%	2.30%
2046	3.66%	1.30%	2.36%	1.35%	2.31%
2047	3.67%	1.30%	2.37%	1.35%	2.32%
2048	3.68%	1.30%	2.38%	1.35%	2.33%
2049	3.68%	1.30%	2.38%	1.35%	2.33%

(1) Rates Based on Municipal Market Data AA scale to reflect the City of Kerrville's rating of AA

Kerrville Debt Service: Clean Water SRF and Drinking Water SRF



\$8,000,000 Certificates of Obligation, Series 2018A (Clean Water SRF)

Period Ending	Principal	Interest	Debt Service
2019	\$ 112,563	\$ 112,563	\$ 112,563
2020	\$ 162,742	\$ 162,742	\$ 162,742
2021	\$ 162,742	\$ 167,742	\$ 167,742
2022	\$ 162,696	\$ 377,696	\$ 377,696
2023	\$ 160,503	\$ 375,503	\$ 375,503
2024	\$ 158,116	\$ 378,116	\$ 378,116
2025	\$ 155,454	\$ 375,454	\$ 375,454
2026	\$ 152,572	\$ 377,572	\$ 377,572
2027	\$ 225,000	\$ 149,377	\$ 374,377
2028	\$ 230,000	\$ 145,912	\$ 375,912
2029	\$ 235,000	\$ 142,140	\$ 377,140
2030	\$ 240,000	\$ 138,028	\$ 378,028
2031	\$ 245,000	\$ 133,636	\$ 378,636
2032	\$ 245,000	\$ 129,030	\$ 374,030
2033	\$ 250,000	\$ 124,326	\$ 374,326
2034	\$ 255,000	\$ 119,401	\$ 374,401
2035	\$ 260,000	\$ 114,250	\$ 374,250
2036	\$ 270,000	\$ 108,868	\$ 378,868
2037	\$ 275,000	\$ 103,144	\$ 378,144
2038	\$ 280,000	\$ 97,176	\$ 377,176
2039	\$ 285,000	\$ 90,988	\$ 375,988
2040	\$ 290,000	\$ 84,604	\$ 374,604
2041	\$ 300,000	\$ 77,992	\$ 377,992
2042	\$ 305,000	\$ 71,092	\$ 376,092
2043	\$ 310,000	\$ 64,016	\$ 374,016
2044	\$ 320,000	\$ 56,793	\$ 376,793
2045	\$ 325,000	\$ 49,305	\$ 374,305
2046	\$ 335,000	\$ 41,668	\$ 376,668
2047	\$ 345,000	\$ 33,762	\$ 378,762
2048	\$ 350,000	\$ 25,585	\$ 375,585
2049	\$ 360,000	\$ 17,255	\$ 377,255
2050	\$ 365,000	\$ 8,687	\$ 373,687
Total	\$ 8,000,000	\$ 3,354,417	\$ 11,354,417

Rates as of November 6, 2018

Clean Water SRF
True Interest Cost: 2.29%
All-In True Interest Cost: 2.29%
Subsidy of 1.30%

\$5,000,000 Certificates of Obligation, Series 2018B (Drinking Water SRF)

Period Ending	Principal	Interest	Debt Service
	\$	\$	\$
2019	5,000	66,969	66,969
2020	135,000	96,823	101,823
2021	135,000	96,784	231,784
2022	140,000	94,286	234,286
2023	140,000	92,802	232,802
2024	140,000	91,178	231,178
2025	140,000	89,414	234,414
2026	145,000	87,428	232,428
2027	145,000	85,267	235,267
2028	150,000	82,882	232,882
2029	150,000	80,332	230,332
2030	155,000	77,662	232,662
2031	160,000	74,826	234,826
2032	160,000	71,834	231,834
2033	165,000	68,762	233,762
2034	165,000	65,511	230,511
2035	170,000	62,178	232,178
2036	175,000	58,659	233,659
2037	180,000	54,949	234,949
2038	180,000	51,061	231,061
2039	185,000	47,119	232,119
2040	190,000	42,994	232,994
2041	195,000	38,719	233,719
2042	200,000	34,292	234,292
2043	205,000	29,732	234,732
2044	210,000	25,038	235,038
2045	210,000	20,208	230,208
2046	215,000	15,357	230,357
2047	220,000	10,369	230,369
2048	225,000	5,243	230,243
2049			
2050	Total	\$ 5,000,000	\$ 1,914,268
			\$ 6,914,268

Drinking Water SRF
True Interest Cost: 2.25%
All-In True Interest Cost: 2.25%
Subsidy of 1.35%

Rates as of November 6, 2018

Aggregate Debt Service: Clean Water SRF and Drinking Water SRF



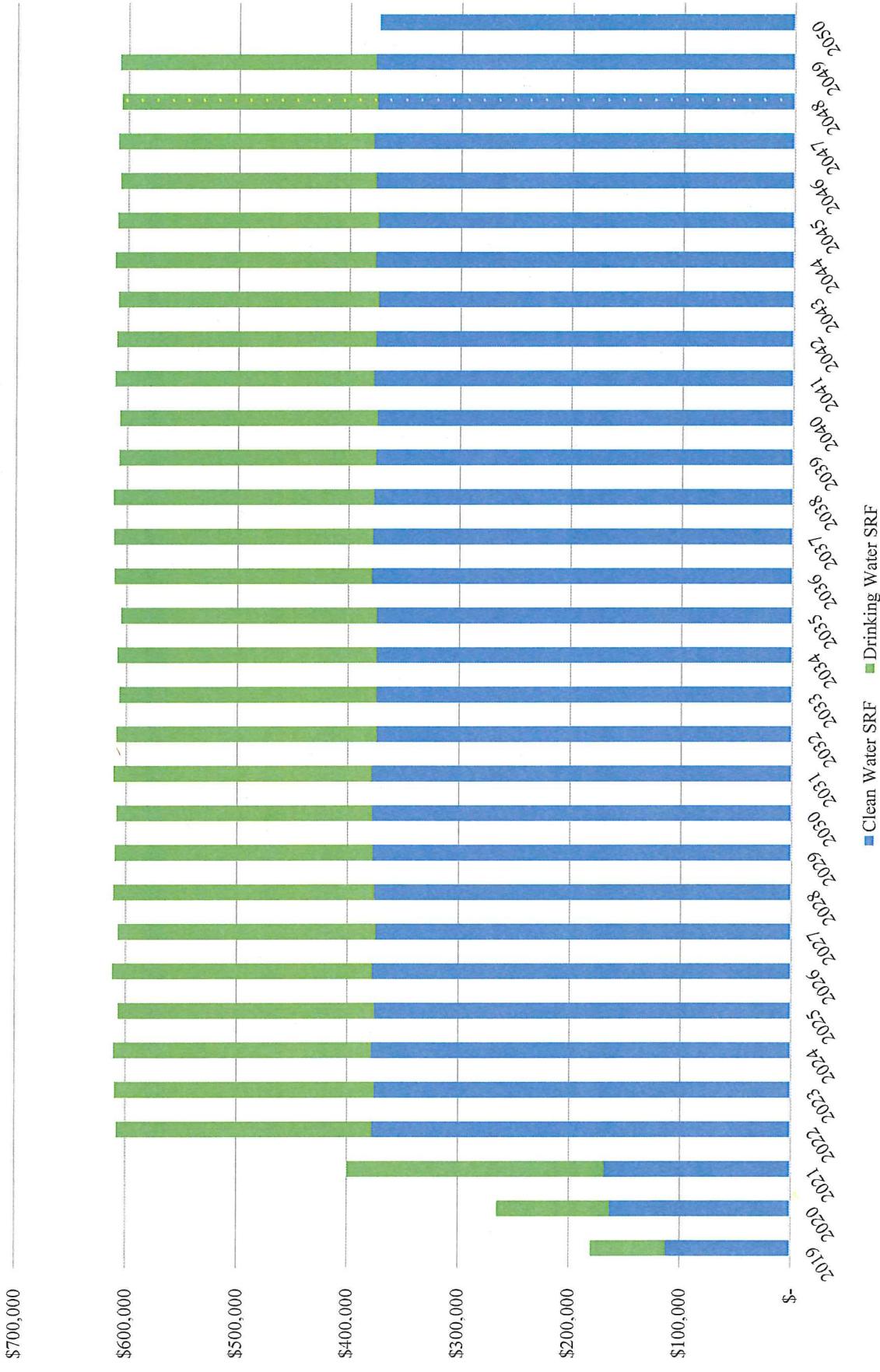
Aggregate Debt Service

Certificates of Obligation (CWSRF) Par Amount of \$8,000,000 Series 2018A

Certificates of Obligation (DWSRF) Par Amount of \$5,000,000 Series 2018B

Fiscal Year Ending 9/30	Principal	Interest	Total	Principal	Interest	Total	Total Debt Service
2019	\$ 112,563	\$ 112,563	\$ 112,563	\$ 5,000	\$ 66,969	\$ 66,969	\$ 3,925,115
2020	162,742	162,742	162,742	5,000	96,823	101,823	4,229,768
2021	162,742	167,742	135,000	96,784	231,784	4,097,003	
2022	162,696	377,696	135,000	95,596	230,596	4,318,125	
2023	160,503	375,503	140,000	94,286	234,286	4,330,272	
2024	158,116	378,116	140,000	92,802	232,802	4,421,344	
2025	155,454	375,454	140,000	91,178	231,178	4,400,418	
2026	152,572	377,572	145,000	89,414	234,414	4,370,108	
2027	149,377	374,377	145,000	87,428	232,428	4,337,338	
2028	145,912	375,912	150,000	85,267	235,267	4,326,873	
2029	142,140	377,140	150,000	82,882	232,882	4,307,126	
2030	138,028	378,028	150,000	80,332	230,332	2,863,963	
2031	133,636	378,636	155,000	77,662	232,662	2,280,536	
2032	129,030	374,030	160,000	74,826	234,826	2,282,493	
2033	124,326	374,326	160,000	71,834	231,834	1,866,484	
2034	119,401	374,401	165,000	68,762	233,762	1,239,312	
2035	114,250	374,250	165,000	65,511	230,511	1,233,061	
2036	108,868	378,868	170,000	62,178	232,178	611,046	
2037	103,144	378,144	175,000	58,659	233,659	611,803	
2038	97,176	377,176	180,000	54,949	234,949	612,125	
2039	90,988	375,988	180,000	51,061	231,061	607,049	
2040	84,604	374,604	185,000	47,119	232,119	606,723	
2041	77,992	377,992	190,000	42,994	232,994	610,986	
2042	71,092	376,092	195,000	38,719	233,719	609,811	
2043	64,016	374,016	200,000	34,292	234,292	608,308	
2044	56,793	376,793	205,000	29,732	234,732	611,525	
2045	49,305	374,305	210,000	25,038	235,038	609,343	
2046	41,668	376,668	210,000	20,208	230,208	606,875	
2047	33,762	378,762	215,000	15,357	230,357	609,118	
2048	25,585	375,585	220,000	10,369	230,369	605,954	
2049	17,255	377,255	225,000	5,243	230,243	607,498	
2050	8,687	373,687	\$ 1,914,268	\$ 6,914,268	\$ 6,914,268	\$ 67,731,184	
Total	\$ 8,000,000	\$ 3,354,417	\$ 5,000,000	\$ 1,914,268	\$ 6,914,268	\$ 67,731,184	

Aggregate Debt Service: Clean Water SRF and Drinking Water SRF



Aggregate Debt Service and Pro-Forma

Certificates of Obligation (CWSRF) Projected Par Amount of \$8,000,000				Certificates of Obligation (DW SRF) Projected Par Amount of \$5,000,000											
FYE 30-Sep	Net Revenues For Debt Service ⁽¹⁾	Debt Service Outstanding ⁽²⁾	\$ 8,000,000 Series 2018 ⁽³⁾	Principal ⁽⁴⁾	Interest	Total	\$ 5,000,000 Series 2018 ⁽⁵⁾	Principal ⁽⁴⁾	Interest	Total	Projected Service	Projected Total Debt	Projected Coverage	35% of Revenue Limit ⁽⁶⁾	Surplus Revenue
2019	\$ 6,353,641	\$ 3,745,503	\$ 112,563	\$ 112,563	\$ -	\$ 112,563	\$ 66,969	\$ 66,969	\$ -	\$ 66,969	\$ 3,925,115	1.62x	\$ 4,305,056	\$ 459,941	
2020	6,353,641	3,965,203	162,742	162,742	5,000	162,742	96,823	101,823	5,000	96,823	4,229,768	1.50x	4,579,826	350,058	
2021	6,353,641	3,697,477	162,742	162,742	135,000	167,742	96,784	231,784	135,000	96,784	4,097,003	1.55x	4,680,760	583,758	
2022	6,353,641	3,709,834	162,696	162,696	135,000	377,696	95,596	230,596	135,000	95,596	4,318,125	1.47x	4,753,752	435,627	
2023	6,353,641	3,720,483	160,503	160,503	140,000	375,503	94,286	234,286	160,503	94,286	4,330,272	1.47x	4,828,539	498,268	
2024	6,353,641	3,810,426	220,000	158,116	140,000	378,116	92,802	232,802	220,000	92,802	4,421,344	1.44x	4,976,044	554,700	
2025	6,353,641	3,793,786	220,000	155,454	140,000	375,454	91,178	231,178	225,000	91,178	4,400,418	1.44x	5,093,880	693,468	
2026	6,353,641	3,758,122	225,000	152,572	145,000	377,572	91,178	231,178	225,000	91,178	4,370,108	1.45x	5,215,232	845,124	
2027	6,353,641	3,730,533	225,000	149,377	145,000	374,377	87,428	232,428	225,000	87,428	4,337,338	1.46x	5,340,199	1,002,861	
2028	6,353,641	3,715,694	230,000	145,912	150,000	375,912	85,267	235,267	230,000	85,267	4,326,873	1.47x	5,468,905	1,142,032	
2029	6,353,641	3,697,104	235,000	142,140	150,000	377,140	82,882	232,882	235,000	82,882	4,307,126	1.48x	5,286,963	2,222	
2030	6,353,641	2,255,603	240,000	138,028	150,000	378,028	80,332	230,332	240,000	80,332	2,280,546	2.79x	2,280,546	2,280,546	
2031	6,353,641	1,569,238	245,000	133,636	155,000	378,636	71,562	232,662	245,000	71,562	2,282,493	2.78x	2,282,493	2,282,493	
2032	6,353,641	1,673,638	245,000	129,030	160,000	374,030	74,826	234,826	245,000	74,826	2,286,184	3.40x	2,286,184	2,286,184	
2033	6,353,641	1,260,325	250,000	124,326	160,000	374,326	71,834	231,834	250,000	71,834	2,239,312	5.13x	2,239,312	2,239,312	
2034	6,353,641	631,150	255,000	119,401	165,000	374,401	68,762	233,762	255,000	68,762	2,123,061	5.15x	2,123,061	2,123,061	
2035	6,353,641	628,300	260,000	114,250	165,000	374,250	65,511	230,511	260,000	65,511	2,11,046	10.40x	2,11,046	2,11,046	
2036	6,353,641	-	270,000	108,868	170,000	378,868	62,178	232,178	270,000	62,178	2,09,994	10.40x	2,09,994	2,09,994	
2037	6,353,641	-	275,000	103,144	175,000	378,144	58,659	233,659	275,000	58,659	2,09,803	10.39x	2,09,803	2,09,803	
2038	6,353,641	-	280,000	97,176	180,000	377,176	54,949	234,949	280,000	54,949	2,09,719	10.38x	2,09,719	2,09,719	
2039	6,353,641	-	205,000	90,900	100,000	375,900	51,061	231,061	205,000	51,061	2,07,049	10.47x	2,07,049	2,07,049	
2040	6,353,641	-	290,000	84,604	185,000	374,604	47,119	232,119	290,000	47,119	2,06,723	10.47x	2,06,723	2,06,723	
2041	6,353,641	-	300,000	77,992	190,000	377,992	42,994	232,994	300,000	42,994	2,06,596	10.40x	2,06,596	2,06,596	
2042	6,353,641	-	305,000	71,092	195,000	376,092	38,719	233,719	305,000	38,719	2,06,811	10.42x	2,06,811	2,06,811	
2043	6,353,641	-	310,000	64,016	200,000	374,016	34,292	234,292	310,000	34,292	2,06,308	10.44x	2,06,308	2,06,308	
2044	6,353,641	-	320,000	56,793	205,000	376,793	29,732	234,732	320,000	29,732	2,11,525	10.39x	2,11,525	2,11,525	
2045	6,353,641	-	325,000	49,305	210,000	374,305	25,038	235,038	325,000	25,038	2,09,343	10.43x	2,09,343	2,09,343	
2046	6,353,641	-	335,000	41,668	216,000	376,668	210,000	20,208	335,000	210,000	2,06,875	10.47x	2,06,875	2,06,875	
2047	6,353,641	-	345,000	33,762	215,000	378,762	15,357	230,357	345,000	15,357	2,09,118	10.43x	2,09,118	2,09,118	
2048	6,353,641	-	350,000	25,585	220,000	375,585	10,369	230,369	350,000	10,369	2,05,954	10.49x	2,05,954	2,05,954	
2049	6,353,641	-	360,000	17,255	225,000	377,255	5,243	230,243	360,000	5,243	2,07,498	10.46x	2,07,498	2,07,498	
2050	6,353,641	-	365,000	8,687	373,687	-	-	-	365,000	-	373,687	17.00x	373,687	373,687	
	\$ 49,462,499		\$ 8,000,000	\$ 3,354,417	\$ 11,354,417	\$ 5,000,000	\$ 1,914,268	\$ 6,914,268			\$ 6,731,184				

(1) Source: City of Kerrville Fiscal Year Ended September 30, 2017 audited financials. Assumes no growth thereafter.

(2) As of April 3, 2018 Utility System, Non-Self-Supporting Certificates of Obligation.

(3) Assumes closing date December 6, 2018 and a TIC of 2.29%.

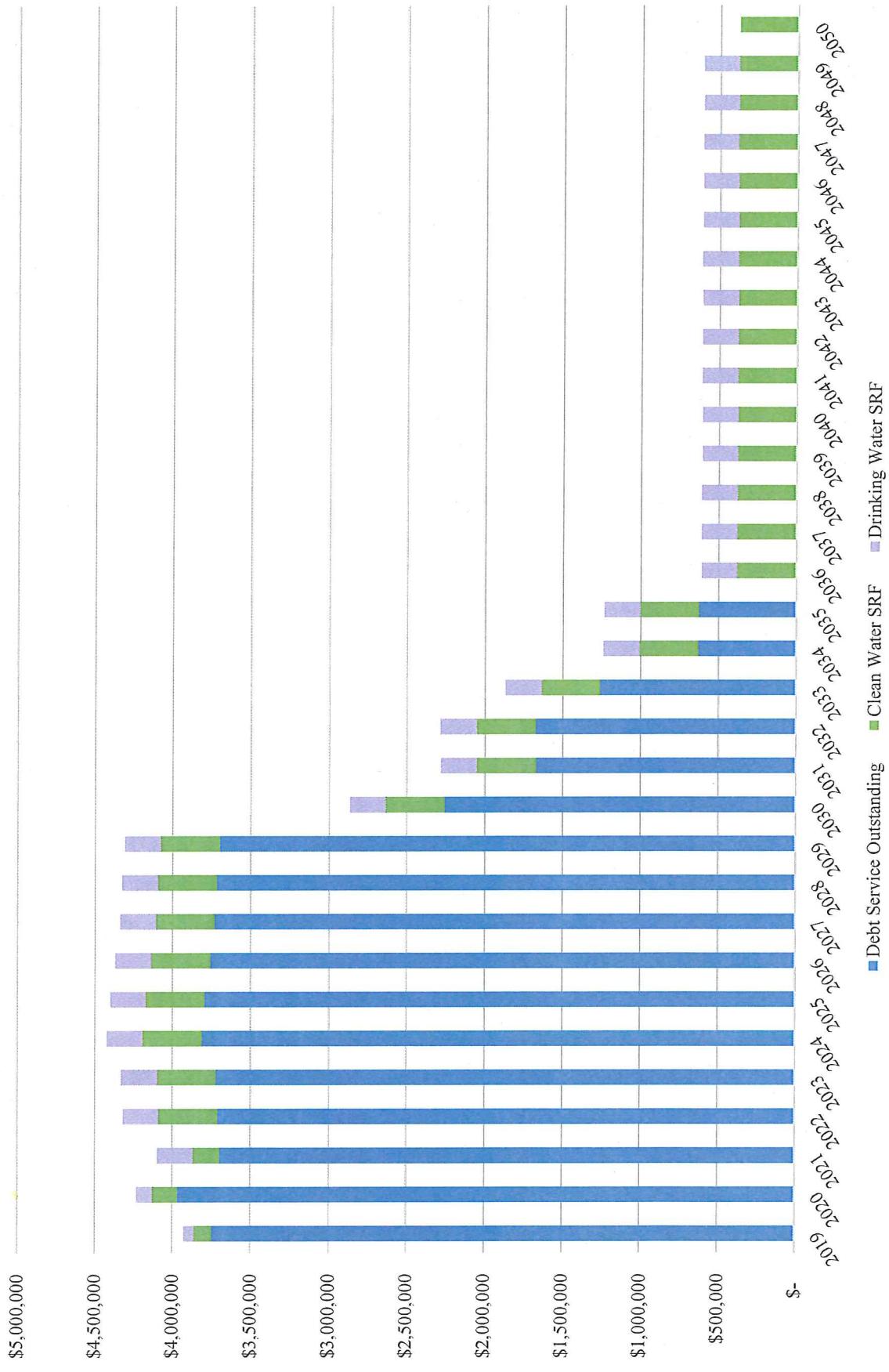
(4) Principal 8/15 of each year.

(5) Assumptions closing date December 6, 2018 and a TIC of 2.25%.

(6) Principal 8/15 of each year.

(7) Provided by the City of Kerrville Staff

Aggregate Debt Service and Pro-Forma





**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Ordinance 2018-35 authorizing the issuance, sale and delivery of \$5,000,000 in aggregate principal amount of City of Kerrville, Texas Combination Tax and Surplus Revenue Certificates of Obligation, Series 2018A, to be purchased by the Texas Water Development Board; securing the payment thereof by authorizing the levy of an annual ad valorem tax and a pledge of certain surplus revenues of the City's waterworks and sewer system; and approving and authorizing the execution of a paying agent/registrar agreement, an escrow agreement, and all other instruments and procedures related thereto.

AGENDA DATE OF: 11/13/2018

DATE SUBMITTED: 11/2/2018

SUBMITTED BY: Amy Dozier, CFO

EXHIBITS: Ordinance 2018-35
Project and Funding Calendar
Debt Capacity Analysis

Expenditure Required: N/A	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: n/a

Kerrville 2050 Item?	Yes:	No: <input type="checkbox"/>
Key Priority Area	W - Water/Waste-Water/Drainage	
Guiding Principle	W3 - Address water quality challenges with proven solutions	
Action Item	W3.5 – Improve water quality by addressing Trihalomethane (TTHM) contaminants.	

SUMMARY STATEMENT:

In certain places, the City's water supply contains disinfection byproducts called total trihalomethanes (TTHM) that are in excess of TCEQ standards. The City is required by TCEQ to reduce TTHM levels. We have worked with Freese and Nichols to design a filtration treatment strategy to mitigate TTHMs. Design, testing and construction of the system is expected to cost up to \$5.0 million.

After exploring funding options with our bond advisor and bond counsel, Council approved moving forward with a \$5.0 million funding application to the Texas Water Development Board (TWDB).

The TWDB offers subsidized loans for drinking water infrastructure projects. The loan is in the form of a 30-year certificate of obligation that is purchased by direct placement by the TWDB at a rate that is 135 basis points below market rate. As previously presented, we estimate that using TWDB funding will save the City approximately \$800,000 over the life of the loan.

Please note that the authorization is for the full \$5.0 million application amount. Due to rising labor costs, we may need the entire amount instead of the \$4.1 million that has also been discussed. In addition, if for any reason we fail to use the entire amount on the TTHM project, the excess funds can be used for other drinking water related projects. Given the favorable interest rates, the prospect of a continued rising rate environment, and the ability to move this funding to other projects, staff recommends issuing the certificates of obligation for the entire application amount.

The following calendar outlines the funding process through TWDB:

1. **4/24/18** – Resolution authorizing TWDB loan application
2. **6/22/18** – Completed application submitted to TWDB
3. **9/12/18** – Application approved by TWDB
4. **9/25/18** - Resolution authorizing publication of a notice of intention to issue certificates of obligation
5. **10/3/18** – First publication of Notice of Intent to Issue Certificates of Obligation
6. **10/10/18** – Second publication of Notice of Intent to Issue Certificates of Obligation
7. **11/6/18** – Interest rates set by TWDB
8. **11/13/18** – Ordinances authorizing the order of bonds purchased by direct placement by TWDB. Per state law (Section 1201.028, Texas Government Code), the ordinance requires one reading only.
9. **12/6/18** – Debt closing
10. **December 2018** – Award bids
11. **January 2019** – Construction begins. Completion expected by early 2020

Please see the financial presentation prepared by Hilltop Securities for both debt issuances attached to agenda item for the Legion Lift Station Certificates of Obligation.

RECOMMENDED ACTION:

Approve Ordinance 2018-35.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2018-35**

**ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF
\$5,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF *CITY OF
KERRVILLE, TEXAS COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2018B*, TO BE PURCHASED BY
THE TEXAS WATER DEVELOPMENT BOARD; SECURING THE
PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL
AD VALOREM TAX AND A PLEDGE OF CERTAIN SURPLUS REVENUES
OF THE CITY'S WATERWORKS AND SEWER SYSTEM; AND
APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING
AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND
ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO**

DATE OF APPROVAL: NOVEMBER 13, 2018

TABLE OF CONTENTS

Recitals	1
Section One.	Amount and Purpose of the Certificates of Obligation.	2
Section Two.	Designation, Date, Denominations, Numbers, and Maturities of Certificates of Obligation	3
Section Three.	Interest	4
Section Four.	Characteristics of the Certificates of Obligation; Approval of Paying Agent/Registrar Agreement	4
Section Five.	Form of Certificate of Obligation	9
Section Six.	Interest and Sinking Fund; Tax Levy; Security Interest	17
Section Seven.	Surplus Revenues	18
Section Eight.	Construction Fund	19
Section Nine.	Investments	20
Section Ten.	Empowered	20
Section Eleven.	Defeasance of the Certificates of Obligation	20
Section Twelve.	Damaged, Mutilated, Lost, Stolen, or Destroyed Certificates of Obligation	22
Section Thirteen.	Custody, Approval, and Registration of the Certificates of Obligation; Bond Counsel's Opinion, Bond Insurance, and Cusip Numbers ...	23
Section Fourteen.	Covenants Regarding Tax-exemption of Interest on the Certificates of Obligation	24
Section Fifteen.	Continuing Disclosure Undertaking	27
Section Sixteen.	Sale and Delivery of the Certificates of Obligation	30
Section Seventeen.	Approval of Escrow Agreement; Deposit of Proceeds	31
Section Eighteen.	Final Accounting	31

Section Nineteen.	Compliance with the Rules and Regulations of, and with Specific Covenants Required by, the Texas Water Development Board	32
Section Twenty.	Authority for Officers to Execute Documents and Approve Changes	34
Section Twenty-One.	Ordinance a Contract; Amendments	35
Section Twenty-Two.	Remedies in Event of Default	36
Section Twenty-Three.	Interested Parties	36
Section Twenty-Four.	Appropriation to Pay Principal and Interest	36
Section Twenty-Five.	Incorporation of Recitals	36
Section Twenty-Six.	Severability	36
Section Twenty-Seven.	Effective Date	37
Signatures		
Form of Paying Agent/Registrar Agreement		Exhibit A
Description of Annual Financial Information		Exhibit B
Written Procedures Relating to Continuing Compliance With Federal Tax Covenants		Exhibit C
Form of Escrow Agreement		Exhibit D

ORDINANCE NO. 2018-__

ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF \$5,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF *CITY OF KERRVILLE, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018B*, TO BE PURCHASED BY THE TEXAS WATER DEVELOPMENT BOARD; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX AND A PLEDGE OF CERTAIN SURPLUS REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

THE STATE OF TEXAS §
COUNTY OF KERR §
CITY OF KERRVILLE §

WHEREAS, the **CITY OF KERRVILLE, TEXAS** (the "*City*") in Kerr County, Texas, is a political subdivision of the State of Texas operating as a home-rule city pursuant to the Texas Local Government Code and its City Charter which was initially approved by the qualified voters of the City on February 24, 1942, and which has been amended from time to time, with the most recent amendments being approved by the qualified voters of the City on May 4, 1999; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to plan, acquire, construct, and equip extensions and improvements to the City's waterworks system, including improvements to address standards related to total trihalomethanes (TTHM) within the waterworks system and are referred to herein as the (the "*Projects*"), which will be funded through the Drinking Water State Revolving Fund managed by the Texas Water Development Board; and

WHEREAS, the City Council of the City intends to finance the *Projects* from proceeds derived from the sale of Certificates of Obligation issued by the City pursuant to Sections 271.041 - 271.064, Texas Local Government Code, as amended; and

WHEREAS, the City filed an application with the TWDB requesting financial assistance to finance up to \$5,000,000 of the costs to plan, acquire, design and construct the *Projects*; and

WHEREAS, the Texas Water Development Board reviewed such application and approved a commitment to provide financial assistance to the City through the TWDB's *Drinking Water State Revolving Fund* of up to \$5,000,000 in accordance with Resolution No. 18-106 approved on September 6, 2018 (the "*TWDB Resolution*") for the purpose of funding a portion of the costs to plan, acquire, design and construct the *Projects*, which have been identified by the TWDB as *Project No. 62804*; and

WHEREAS, the City Council of the City intends to finance all or a portion of the Projects from proceeds derived from the sale of a series of certificates of obligation (defined below as the "*Certificates of Obligation*") issued by the City pursuant to Sections 271.041 - 271.064, Texas Local Government Code, as amended; and

WHEREAS, the City Council hereby finds that the proceeds of the Certificates of Obligation will not be used for a purpose previously rejected by the voters of the City in a bond election held during the preceding three years; and

WHEREAS, on September 25, 2018, the City Council adopted a resolution authorizing and directing the City Secretary to give notice of intention to issue the Certificates of Obligation; and

WHEREAS, said notice has been duly published in the *Kerrville Daily Times*, which is a newspaper of general circulation in the City in its issues of October 3, 2018, and October 13, 2018; and

WHEREAS, the City received no petition signed by at least five percent of the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

WHEREAS, the Certificates of Obligation authorized by this Ordinance will be sold to and purchased by the Texas Water Development Board, as further provided in Section Sixteen hereof; and

WHEREAS, it is considered to be in the best interest of the City that said interest bearing Certificates of Obligation be issued; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS, THAT:

SECTION ONE. AMOUNT AND PURPOSE OF THE CERTIFICATES OF OBLIGATION. The certificate of obligation or certificates of obligation of the City further described in Section 2 of this Ordinance and referred to herein as the "Certificates of Obligation" are hereby authorized to be issued and delivered in the aggregate principal amount of \$5,000,000 **FOR THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO PLAN, ACQUIRE, DESIGN AND CONSTRUCT EXTENSIONS AND IMPROVEMENTS TO THE CITY'S WATERWORKS SYSTEM, INCLUDING IMPROVEMENTS TO ADDRESS STANDARDS RELATED TO TOTAL TRIHALOMETHANES (TTHM) WITHIN THE WATERWORKS SYSTEM, PAYING ALL OR A PORTION OF THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION THEREWITH, AND PAYING COSTS OF ISSUANCE.**

SECTION TWO. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF THE CERTIFICATES OF OBLIGATION. Each certificate of obligation issued pursuant to and for the purpose described in Section 1 of this Ordinance shall be designated: **CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018B**, and initially there shall be issued, sold and delivered hereunder one fully registered certificate of obligation, without interest coupons, dated November 1, 2018, in the aggregate principal amount of **\$5,000,000**, numbered T-1 (the "*Initial Certificate of Obligation*"), with certificates of obligation issued in replacement thereof being in the denomination of \$5,000 or any integral multiple thereof and numbered consecutively from R-1 upward, all payable to the initial registered owner thereof (with the Initial Certificate of Obligation being payable to the initial purchaser designated in Section 16 hereof), or to the registered assignee or assignees of said certificates of obligation or any portion or portions thereof (in each case, the "*Registered Owner*"), and the certificates of obligation shall mature and be payable serially on **August 15** in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)	YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)	YEAR OF MATURITY	PRINCIPAL AMOUNT (\$)
2020	5,000	2030	150,000	2040	185,000
2021	135,000	2031	155,000	2041	190,000
2022	135,000	2032	160,000	2042	195,000
2023	140,000	2033	160,000	2043	200,000
2024	140,000	2034	165,000	2044	205,000
2025	140,000	2035	165,000	2045	210,000
2026	145,000	2036	170,000	2046	210,000
2027	145,000	2037	175,000	2047	215,000
2028	150,000	2038	180,000	2048	220,000
2029	150,000	2039	180,000	2049	225,000

The term "*Certificates of Obligation*" as used in this Ordinance shall mean and include the Certificates of Obligation initially issued and delivered pursuant to this Ordinance and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "*Certificate of Obligation*" shall mean any of the Certificates of Obligation.

SECTION THREE. INTEREST. The Certificates of Obligation shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM CERTIFICATE OF OBLIGATION set forth in this Ordinance to their respective dates of maturity or prior redemption at the following rates per annum:

YEAR OF MATURITY	INTEREST RATE (%)	YEAR OF MATURITY	INTEREST RATE (%)	YEAR OF MATURITY	INTEREST RATE (%)
2020	0.79	2030	1.78	2040	2.23
2021	0.88	2031	1.83	2041	2.25
2022	0.97	2032	1.87	2042	2.27
2023	1.06	2033	1.92	2043	2.28
2024	1.16	2034	1.97	2044	2.29
2025	1.26	2035	2.02	2045	2.30
2026	1.37	2036	2.07	2046	2.31
2027	1.49	2037	2.12	2047	2.32
2028	1.59	2038	2.16	2048	2.33
2029	1.70	2039	2.19	2049	2.33

Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance.

SECTION FOUR. CHARACTERISTICS OF THE CERTIFICATES OF OBLIGATION; APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT.

(a) Registration, Transfer, and Exchange; Authentication. The City shall keep or cause to be kept at the designated corporate trust or commercial banking office (currently located in Houston, Texas) of **U.S. BANK NATIONAL ASSOCIATION** (the "*Paying Agent/Registrar*") books or records for the registration of the transfer and exchange of the Certificates of Obligation (the "*Registration Books*"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as Exhibit A is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor, Mayor Pro-Tem and City Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate of Obligation to which payments with respect to the Certificates of Obligation shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Certificates of Obligation shall be made within three business days after request and presentation thereof. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Certificate of Obligation or Certificates of Obligation shall be paid as provided in the FORM CERTIFICATE OF OBLIGATION set forth in this Ordinance. Registration of assignments, transfers and exchanges of Certificates of Obligation shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance. Each substitute Certificate of Obligation shall bear a letter and/or number to distinguish it from each other Certificate of Obligation.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate of Obligation, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Certificate of Obligation shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates of Obligation and Certificates of Obligation surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Certificate of Obligation or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates of Obligation in the manner prescribed herein, and said Certificates of Obligation shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, and particularly Subchapter D and Section 1201.067 thereof, the duty of transfer and exchange of Certificates of Obligation as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Certificate of Obligation shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates of Obligation which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) *Payment of Certificates of Obligation and Interest.* The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates of Obligation, all as provided in this Ordinance. The Paying Agent/ Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Certificates of Obligation.

(c) *In General.* The Certificates of Obligation (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates of Obligation to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the City at least 50 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be exchanged for other Certificates of Obligation, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) shall be payable as to principal and interest, and (viii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Certificates of Obligation, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE OF OBLIGATION set forth in this Ordinance. The Initial Certificate of Obligation is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate of Obligation issued in exchange for the Initial Certificate of Obligation issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF CERTIFICATE OF OBLIGATION. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Certificate of Obligation delivered on the closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF CERTIFICATE OF OBLIGATION below, manually executed by the Comptroller of Public Accounts of the State of Texas or by her duly authorized agent, which certificate shall be evidence that the Initial Certificate of Obligation has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) *Substitute Paying Agent/Registrar.* The City covenants with the registered owners of the Certificates of Obligation that at all times while the Certificates of Obligation are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Certificates of Obligation under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates of Obligation, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates of Obligation, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar

shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) *Book-Entry Only System for Certificates of Obligation.* The Certificates of Obligation issued in exchange for the Certificates of Obligation initially issued to the purchaser specified in Section 16 herein shall be initially issued in the form of a separate single fully registered Certificate of Obligation for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate of Obligation shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (i) hereof, all of the outstanding Certificates of Obligation shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Certificates of Obligation registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates of Obligation. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates of Obligation, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Certificates of Obligation, as shown on the Registration Books, of any notice with respect to the Certificates of Obligation, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Certificates of Obligation, as shown in the Registration Books of any amount with respect to principal of or interest on the Certificates of Obligation. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate of Obligation is registered in the Registration Books as the absolute owner of such Certificate of Obligation for the purpose of payment of principal and interest with respect to such Certificate of Obligation, for the purpose of registering transfers with respect to such Certificate of Obligation, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Certificates of Obligation only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Certificates of Obligation to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Certificate of Obligation certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(f) *Successor Securities Depository; Transfers Outside Book-Entry Only Systems.* In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC or that it is in the best interest of the beneficial owners of the Certificates of Obligation that they be able to obtain certificated Certificates of Obligation, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates of Obligation to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates of Obligation and transfer one or more separate Certificates of Obligation to DTC Participants having Certificates of Obligation credited to their DTC accounts; *provided, however, in no event shall the City discontinue the use of DTC as the securities depository for the Certificates of Obligation and appoint a successor securities depository in accordance with the preceding provisions without prior notice and consent of the Texas Water Development Board for so long as the Texas Water Development Board is the holder of any of the Certificates of Obligation.* In such event, the Certificates of Obligation shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Certificates of Obligation shall designate, in accordance with the provisions of this Ordinance. Notwithstanding the foregoing, so long as the Texas Water Development Board is the registered owner of any of the Certificates of Obligation, the City shall not discontinue the book-entry-only system with DTC without written notice to and consent from the Texas Water Development Board or its authorized representative.

(g) *Payments to Cede & Co.* Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate of Obligation is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Certificate of Obligation and all notices with respect to such Certificate of Obligation shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

(h) *DTC Letter of Representations.* The officers of the City are herein authorized for and on behalf of the City and as officers of the City to enter into one or more Letters of Representations with DTC establishing the book-entry only system with respect to the Certificates of Obligation.

(i) *Delivery of Initial Certificate of Obligation.* On the closing date, one Initial Certificate of Obligation representing the entire principal amount of the respective series of Certificates of Obligation, payable in stated installments to the initial registered owner named in Section 16 of this Ordinance or its designee, executed by manual or facsimile signature of the Mayor or Mayor Pro-Tem and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Certificate of Obligation, the Paying Agent/Registrar shall cancel the Initial Certificate of Obligation and deliver to the initial registered owner or its designee one registered definitive Certificate of Obligation for each year of

maturity of the Certificates of Obligation, in the aggregate principal amount of all of the Certificates of Obligation for such maturity.

SECTION FIVE. FORM OF CERTIFICATE OF OBLIGATION. The form of the Certificates of Obligation, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Certificates of Obligation initially issued and delivered pursuant to this Ordinance), shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF CERTIFICATE OF OBLIGATION

R-__	UNITED STATES OF AMERICA	PRINCIPAL
	STATE OF TEXAS	AMOUNT
	COUNTY OF KERR	\$ _____
	CITY OF KERRVILLE, TEXAS	
	COMBINATION TAX AND SURPLUS REVENUE	
	CERTIFICATES OF OBLIGATION, SERIES 2018B	

INTEREST RATE	MATURITY DATE	DATE OF SERIES	CUSIP NO.
_____ %	August 15, 20__	November 1, 2018	492422 ____

REGISTERED OWNER:

PRINCIPAL AMOUNT: **DOLLARS**

ON THE MATURITY DATE specified above, the **CITY OF KERRVILLE, TEXAS** (the "City"), being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount set forth above, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve 30-day months) from the date of initial delivery of this Certificate of Obligation (as shown on the records of the Paying Agent/Registrar, defined below) at the Interest Rate per annum specified above, on February 15, 2019, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above; except that if this Certificate of Obligation is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the

interest on the Certificate of Obligation or Certificates of Obligation, if any, for which this Certificate of Obligation is being exchanged is due but has not been paid, then this Certificate of Obligation shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate of Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate of Obligation shall be paid to the Registered Owner hereof upon presentation and surrender of this Certificate of Obligation at maturity or upon the date fixed for redemption prior to maturity, at the designated corporate trust or commercial banking office of **U.S. BANK NATIONAL ASSOCIATION**, which is the "**Paying Agent/Registrar**" for this Certificate of Obligation. The payment of interest on this Certificate of Obligation shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Certificate of Obligation (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the "**Record Date**") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "**Special Record Date**") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "**Special Payment Date**" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner appearing on the Registration Books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Certificate of Obligation prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Certificate of Obligation for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Certificates of Obligation shall be payable in the regular manner described above). The City covenants with the Registered Owner of this Certificate of Obligation that on or before each principal payment date, interest payment date and accrued interest payment date for this Certificate of Obligation it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates of Obligation, when due.

NOTWITHSTANDING THE FOREGOING, as long as the Texas Water Development Board is the owner of this Certificate of Obligation, payment of principal on this Certificate of Obligation shall be made by wire transfer to the Texas Water Development Board and at no cost to the Texas Water Development Board.

IF THE DATE FOR THE PAYMENT OF the principal of or interest on this Certificate of Obligation shall be 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, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE OF OBLIGATION is one of a series of Certificates of Obligation dated as of November 1, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of **\$5,000,000** **THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO PLAN, ACQUIRE, DESIGN AND CONSTRUCT EXTENSIONS AND IMPROVEMENTS TO THE CITY'S WATERWORKS SYSTEM, INCLUDING IMPROVEMENTS TO ADDRESS STANDARDS RELATED TO TOTAL TRIHALOMETHANES (TTHM) WITHIN THE WATERWORKS SYSTEM, PAYING ALL OR A PORTION OF THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION THEREWITH, AND PAYING COSTS OF ISSUANCE.**

ON FEBRUARY 15, 2029, AND ON ANY DATE THEREAFTER, the Certificates of Obligation of this Series maturing on or after August 15, 2029, may be redeemed, in whole or in part, at the option of the City (and if in part the Certificates of Obligation of this Series shall be redeemed in inverse order of maturity and the Paying Agent/Registrar shall determine, by lot or other customary method within a maturity, the particular Certificates of Obligation to be redeemed), at a redemption price equal to the principal amount of the Certificates of Obligation to be redeemed plus accrued interest to the redemption date; provided, that during any period in which ownership of the Certificates of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, if fewer than all of the Certificates of Obligation of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of Obligation of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository.

AT LEAST 30 DAYS PRIOR TO THE DATE FIXED for any redemption of Certificates of Obligation or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid to the Registered Owner of each Certificate of Obligation to be redeemed at its address as it appeared on the Registration Books maintained by the Paying Agent/Registrar on the day such notice of redemption is mailed. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. The notice with respect to an optional redemption of Certificates of Obligation may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an

authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if such notice is so rescinded. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates of Obligation or portions thereof which are to be so redeemed. If such written notice of redemption is mailed (and not rescinded), and if due provision for such payment is made, all as provided above, the Certificates of Obligation or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate of Obligation shall be redeemed a substitute Certificate of Obligation or Certificates of Obligation having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

ALL CERTIFICATES OF OBLIGATION OF THIS SERIES are issuable solely as fully registered Certificates of Obligation, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Certificate of Obligation, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully registered Certificates of Obligation, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate of Obligation or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate of Obligation may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate of Obligation or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for transferring and exchanging any Certificate of Obligation or portion thereof shall be paid by the City, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer or exchange as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the

close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

WHENEVER THE BENEFICIAL OWNERSHIP of this Certificate of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, the foregoing requirements of holding, delivering or transferring this Certificate of Obligation shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT ANY PAYING AGENT/REGISTRAR for the Certificates of Obligation is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Certificates of Obligation.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Certificate of Obligation has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate of Obligation, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law and that this Certificate of Obligation is additionally secured by a lien on and pledge of Surplus Revenues received by the City from the ownership and operation of the City's Waterworks and Sewer System, all as provided in the Ordinance authorizing the Certificates of Obligation.

THE CITY ALSO HAS RESERVED THE RIGHT TO AMEND the Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Certificates of Obligation.

BY BECOMING THE REGISTERED OWNER of this Certificate of Obligation, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the City, and agrees that the terms and provisions of this Certificate of Obligation and the Ordinance constitute a contract between each Registered Owner hereof and the City.

IN WITNESS WHEREOF, the City has caused this Certificate of Obligation to be signed with the manual or facsimile signature of the Mayor or Mayor Pro-Tem of the City, and countersigned with the manual or facsimile signature of the City Secretary of the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this Certificate of Obligation.

Countersigned:

(facsimile signature)
City Secretary, City of Kerrville, Texas

(facsimile signature)
Mayor [Pro-Tem], City of Kerrville, Texas

(CITY SEAL)

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FORM OF REGISTRATION CERTIFICATE
OF THE COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Certificate of Obligation has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Certificate of Obligation has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

*(To be executed if this Certificate of Obligation is not accompanied by an executed
Registration Certificate of the Comptroller of Public Accounts of the State of Texas)*

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the Ordinance described in the text of this Certificate of Obligation; and that this Certificate of Obligation has been issued in exchange for a certificate of obligation or certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

U.S. BANK NATIONAL ASSOCIATION
Paying Agent/Registrar

By _____
Authorized Representative

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FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Certificate of Obligation, or duly authorized representative or attorney thereof, hereby sells, assigns and transfers this Certificate of Obligation and all rights hereunder unto _____

_____/_____/_____

(Assignee's Social Security or
Taxpayer Identification Number) (Please print or typewrite Assignee's name and address,
including zip code)

and hereby irrevocably constitutes and appoints _____ attorney to transfer the registration of this Certificate of Obligation on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate of Obligation in every particular, without alteration or enlargement or any change whatsoever.

INITIAL CERTIFICATE OF OBLIGATION INSERTIONS

The Initial Certificate of Obligation shall be in the form set forth above except that:

- (A) Immediately under the name of the Certificate of Obligation, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below" and "CUSIP NO. _____" shall be deleted.
- (B) The first paragraph shall be deleted and the following shall be inserted:

"ON THE RESPECTIVE MATURITY DATES specified below, the **CITY OF KERRVILLE, TEXAS** (the "City"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the respective Principal Installments specified below, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve

30-day months) from the date of initial delivery of this Certificate of Obligation (as shown on the records of the Paying Agent/Registrar, defined below) at the respective Interest Rates per annum specified below, payable on February 15, 2019, and semiannually on each February 15 and August 15 thereafter to the respective Maturity Dates specified below. The respective Maturity Dates, Principal Installments and Interest Rates for this Certificate of Obligation are set forth in the following schedule:

MATURITY			MATURITY		
DATE <u>(AUGUST 15)</u>	PRINCIPAL <u>INSTALLMENT (\$)</u>	INTEREST <u>RATE (%)</u>	DATE <u>(AUGUST 15)</u>	PRINCIPAL <u>INSTALLMENT (\$)</u>	INTEREST <u>RATE (%)</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

[Insert principal and interest information from Sections 2 and 3 above]"

(C) The Initial Certificate of Obligation shall be numbered "T-1."

SECTION SIX. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST.

(a) *Interest and Sinking Fund, Tax Levy.* A special Interest and Sinking Fund for the Certificates of Obligation (the "**Interest and Sinking Fund**") is hereby created solely for the benefit of the Certificates of Obligation, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and principal of the Certificates of Obligation. All ad valorem taxes levied and collected for and on account of the Certificates of Obligation shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which, together with "Surplus Revenues" with respect to the Certificates of Obligation (as described in Section 7 below) actually then on deposit in the Interest and Sinking Fund to pay principal and interest coming due during such fiscal year, will be sufficient to raise and produce the money required to pay the interest on the Certificates of Obligation as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Certificates of Obligation as such principal matures (but never less than 2% of the original principal amount of the Certificates of Obligation as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the respective Interest and

Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates of Obligation, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the ad valorem taxes and Surplus Revenues granted by the City under Sections 6(a) and 7 of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates of Obligation are outstanding and unpaid such that the pledge of the ad valorem taxes or Surplus Revenues granted by the City under Sections 6(a) and 7 of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificates of Obligation the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION SEVEN. SURPLUS REVENUES. Pursuant to Section 271.052, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, the Certificates of Obligation additionally shall be payable from and secured by surplus revenues derived by the City from the City's Waterworks and Sewer System remaining after (a) payment of all amounts constituting operation and maintenance expenses of said Waterworks and Sewer System, and (b) payment of all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing (i) all bonds, and (ii) all other obligations not on a parity with the Certificates of Obligation, which are payable from and secured by any Waterworks and Sewer System revenues, and (c) payment of all amounts payable from any Waterworks and Sewer System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law (the "**Surplus Revenues**"). If for any reason the City fails to deposit ad valorem taxes levied pursuant to Section 6 hereof to the credit of the Interest and Sinking Fund in an amount sufficient to pay, when due, the principal of and interest on the Certificates of Obligations, then Surplus Revenues may be deposited to the credit of the Interest and Sinking Fund and used to pay such principal and/or interest. The City reserves, and shall have, the right to issue bonds and other obligations not on a parity with the Certificates of Obligation, and to enter into contracts, in accordance with applicable laws, to be payable from and secured by any Waterworks and Sewer System revenues.

In the event the City determines to pay all or a portion of the debt service on the Certificates of Obligation from Surplus Revenues during any fiscal year, the City shall comply with the following obligations and procedures:

(i) the City shall establish, adopt, and maintain an annual budget that provides for either (A) the monthly deposit of sufficient Surplus Revenues and/or ad valorem tax revenues, (B) the monthly deposit of any other legally available funds on hand at the time of adoption of such annual budget, or (C) a combination of (A) and (B) above, into the Interest and Sinking Fund for the payment of the Certificates of Obligation;

(ii) the City shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificates of Obligation until the amount on deposit therein equals the amount required for such annual debt service; and

(iii) the City shall, prior to the time taxes are to be levied for each fiscal year, establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations

(iv) the City shall:

(A) maintain and collect sufficient rates and charges from the City's Waterworks and Sewer System, in conjunction with any other legally available funds (including but not limited to ad valorem taxes levied to pay debt service on the Certificates of Obligation, if any), so that after payment of the costs of operating and maintaining the City's Waterworks and Sewer System, such rates and charges produce revenues in an amount not less than 1.10 times (1) the debt service requirements of the Certificates of Obligation which have been budgeted to be paid with revenues derived from the City's Waterworks and Sewer System, and (2) all outstanding obligations of the City which are secured in whole or in part by a pledge of revenues derived from the City's Waterworks and Sewer System and for which the City is budgeting the payment of debt service, or

(B) annually provide the Texas Water Development Board with documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the payment of debt service on the Certificates of Obligation, in conjunction with any other legally available funds, sufficient for the payment of debt service on the Certificates of Obligation.

SECTION EIGHT. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Kerrville, Texas Combination Tax and Revenue Certificates of Obligation (Series 2018B) Construction Fund* (herein called the "**Construction Fund**"). Proceeds from the sale and delivery of the Certificates of Obligation (other than proceeds representing accrued interest on the Certificates of Obligation and any premium on the Certificates of Obligation that is not used by the City to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, which shall be deposited in the Interest and Sinking Fund) shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the City for payment of all costs incurred in carrying out the purpose for which the Certificates of Obligation are issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of the Certificates of Obligation and the issuance of the Certificates of Obligation. All funds remaining on deposit in the Construction Fund

upon completion of the projects being financed with the proceeds from the Certificates of Obligation, if any, shall be transferred to the Interest and Sinking Fund.

SECTION NINE. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund and the Construction Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required, and investments purchased for and held in the Construction Fund shall have a final maturity of not later than the date the City reasonably expects the funds from such investments will be required to pay costs of the projects for which the Certificates of Obligation were issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; however, any such income and profits from investments in the Construction Fund may be withdrawn by the City and deposited in the Interest and Sinking Fund to pay all or a portion of the interest next coming due on the Certificates of Obligation. It is further provided, however, that any interest earnings on Certificate of Obligation proceeds which are required to be rebated to the United States of America pursuant to Section 14 hereof in order to prevent the Certificates of Obligation from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION TEN. EMPOWERED. The City Manager and Director of Finance are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest.

SECTION ELEVEN. DEFEASANCE OF THE CERTIFICATES OF OBLIGATION.

(a) Defeasance. Any Certificate of Obligation and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "**Defeased Certificate of Obligation**") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate of Obligation, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "**Future Escrow Agreement**") for such payment (1) lawful money of the United States of America sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates of Obligation shall have become due and payable. Thereafter, the City will have no further responsibility with respect to amounts available to the Paying Agent/Registrar for the payment of such Defeased

Certificate of Obligation, including any insufficiency therein caused by the failure of the escrow agent under such Future Escrow Agreement to receive payment when due on the Defeasance Securities. At such time as a Certificate of Obligation shall be deemed to be a Defeased Certificate of Obligation hereunder, as aforesaid, such Certificate of Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates of Obligation that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Certificates of Obligation for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates of Obligation immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) *Investment of Funds in Defeasance Securities.* Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates of Obligation and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates of Obligation may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates of Obligation, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

(c) *Definition of Defeasance Securities.* The term "**Defeasance Securities**" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates of Obligation.

(d) Duties of Paying Agent/Registrar. Until all Defeased Certificates of Obligation shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates of Obligation the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) Selection of Certificates of Obligation to be Defeased. In the event that the City elects to defease less than all of the principal amount of Certificates of Obligation of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates of Obligation by such random method as it deems fair and appropriate.

(f) Notice to Texas Water Development Board. So long as the Texas Water Development Board is the registered owner of any of the Certificates of Obligation, the City shall provide written notice to the Texas Water Development Board of a defeasance of the Certificates of Obligation pursuant to subsection (a)(ii) of this Section at least 30 days prior to funding a Future Escrow Agreement.

SECTION TWELVE. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES OF OBLIGATION.

(a) Replacement Certificates of Obligation. In the event any outstanding Certificate of Obligation is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate of Obligation, in replacement for such Certificate of Obligation in the manner hereinafter provided.

(b) Application for Replacement Certificates of Obligation. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates of Obligation shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner applying for a replacement certificate of obligation shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate of Obligation, as the case may be. In every case of damage or mutilation of a Certificate of Obligation, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate of Obligation so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate of Obligation shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Certificate of Obligation, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate of Obligation) instead of issuing a

replacement Certificate of Obligation, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificates of Obligation. Prior to the issuance of any replacement certificate of obligation, the Paying Agent/Registrar shall charge the registered owner of such Certificate of Obligation with all legal, printing, and other expenses in connection therewith. Every replacement certificate of obligation issued pursuant to the provisions of this Section by virtue of the fact that any Certificate of Obligation is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Certificate of Obligation shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates of Obligation duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates of Obligation. In accordance with Chapter 1201, Texas Government Code, as amended, this Section of this Ordinance shall constitute authority for the issuance of any such replacement certificate of obligation without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such certificates of obligations is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates of Obligation in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Certificates of Obligation issued in exchange for other Certificates of Obligation.

SECTION THIRTEEN. CUSTODY, APPROVAL, AND REGISTRATION OF THE CERTIFICATES OF OBLIGATION; BOND COUNSEL'S OPINION, BOND INSURANCE, AND CUSIP NUMBERS. The Mayor or Mayor Pro-Tem of the City is hereby authorized to have control of the Certificates of Obligation initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates of Obligation pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates of Obligation said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates of Obligation, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City), a statement regarding the issuance of a municipal bond insurance policy to secure payment of debt service on the Certificates of Obligation, if any, and the assigned CUSIP numbers may, at the option of the City, be printed on the Certificates of Obligation issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates of Obligation.

SECTION FOURTEEN. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE CERTIFICATES OF OBLIGATION.

(a) *Covenants.* The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Certificates of Obligation as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates of Obligation or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the Certificates of Obligation or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates of Obligation, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificates of Obligation or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates of Obligation (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Certificates of Obligation being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Certificates of Obligation being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Certificates of Obligation, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates of Obligation, other than investment property acquired with --

- (A) proceeds of the Certificates of Obligation invested for a reasonable temporary period of three years or less until such proceeds are needed for the purpose for which the Certificates of Obligation are issued,
- (B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and
- (C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates of Obligation;

(7) to otherwise restrict the use of the proceeds of the Certificates of Obligation or amounts treated as proceeds of the Certificates of Obligation, as may be necessary, so that the Certificates of Obligation do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Certificates of Obligation or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Certificates of Obligation in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates of Obligation) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates of Obligation have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) **Rebate Fund**. In order to facilitate compliance with the above covenant (8), a "**Rebate Fund**" is hereby established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the holders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) **Proceeds**. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates of Obligation, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates of Obligation under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the

Certificates of Obligation, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates of Obligation under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager or the Director of Finance of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates of Obligation.

(d) Allocation of, and Limitation on, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (collectively referred to herein as the "**Project**") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates of Obligation, or (2) the date the Certificates of Obligation are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The City covenants that the property constituting the Projects will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificates of Obligation. For purpose of the foregoing, the City may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Written Procedures. Unless superseded by another action of the City, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitration and rebate, the City Council hereby adopts and establishes the instructions attached hereto as Exhibit B as the City's written procedures.

(g) Reimbursement. This Ordinance is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

SECTION FIFTEEN. CONTINUING DISCLOSURE UNDERTAKING. On the basis of the private placement exception to the continuing disclosure requirements set forth in SEC Rule 15c2-12 (the "**Rule**"), 17 CFR 240.15c2-12, the City has not and does not undertake to provide continuing information about its financial condition, results of operation or other data subsequent to the issuance of the Certificates of Obligation. Notwithstanding the foregoing, the City covenants to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Rule and determined as if the Texas Water Development Board was a "participating underwriter" with the meaning of the Rule, such continuing disclosure undertaking being for the benefit of the Texas Water Development Board and the beneficial owner of the Certificates of Obligation if the Texas Water Development Board sells or otherwise transfers any of the Certificates of Obligation and the beneficial owners of the Texas Water Development Board's bonds if the City is an obligated person with respect to the Texas Water Development Board's bonds under the Rule. On that basis, the City hereby agrees to provide continuing disclosure as set forth below:

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"**EMMA**" means the Electronic Municipal Market Access system being established by the MSRB.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Rule**" means SEC Rule 15c2-12, as amended from time to time.

"**SEC**" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB through EMMA within six months after the end of each fiscal year ending in or after 2018, financial information and operating data with respect to the City of the general type included in the final Official Statement related to the City's *Combination Tax and Revenue Certificates of Obligation, Series 2016*, being the information described in Exhibit C hereto as the "**Annual Operating Report**." Additionally, within six months after the end of each fiscal year, the City will provide financial statements of the City (the "**Financial Statements**") which shall be (1) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. If the audit of such Financial Statements is not complete within such period, then the City shall provide (1) unaudited Financial Statements for such fiscal year within such six month period, and (2) audited Financial Statements for the applicable fiscal year

to the MSRB through EMMA when and if the audit report on such Financial Statements become available.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the date of the new fiscal year end prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this paragraph (b).

The financial information and operating data to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the SEC.

(c) *Event Notices.*

(i) The City shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates of Obligation, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of holders;
3. Redemption calls;
4. Release, substitution, or sale of property securing repayment of the Certificates of Obligation;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The City shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Certificates of Obligation, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates of Obligation, or other events affecting the tax status of the Certificates of Obligation;
6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

(iii) The City shall notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) *Limitations, Disclaimers, and Amendments.* The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates of Obligation within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Section 11 of this Ordinance that causes Certificates of Obligation no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Certificates of Obligation, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates of Obligation at any future date.

UNDER NO CIRCUMSTANCES SHALL THE COUNTY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OF OBLIGATION OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE COUNTY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates of Obligation in the primary offering of the Certificates of Obligation in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates of Obligation consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates of Obligation. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates of Obligation in the primary offering of the Certificates of Obligation. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION SIXTEEN. SALE AND DELIVERY OF THE CERTIFICATES OF OBLIGATION. The Certificates of Obligation are hereby sold and shall be delivered to the **TEXAS WATER DEVELOPMENT BOARD** in accordance with the rules and regulations of the Texas Water Development Board for a total purchase price of par and no accrued interest. In satisfaction of Section 1201.022(a)(3), Texas Government Code, and upon consultation with the City's Financial Advisor, the City Council hereby determines that the final terms of the Certificates of Obligation

as set forth in this Ordinance are in the City's best interests. The Certificates of Obligation initially shall be registered in the name of the **TEXAS WATER DEVELOPMENT BOARD**.

SECTION SEVENTEEN. APPROVAL OF ESCROW AGREEMENT; DEPOSIT OF PROCEEDS. Concurrently with the initial delivery of the Certificates of Obligation, the City shall deposit *[\$5,000,000]* (less the related origination fee to be retained by the Texas Water Development Board) of the proceeds of the Certificates of Obligation into an escrow fund established with **U.S. BANK NATIONAL ASSOCIATION** (the "*Escrow Agent*") pursuant to an Escrow Agreement between the City and the Escrow Agent, in substantially the form attached hereto as *Exhibit D*. The Escrow Agreement, which will govern the periodic disbursement of such proceeds of the Certificates of Obligation upon approval of the Texas Water Development Board, is hereby approved in substantially final form, and the Mayor is hereby authorized, for and on behalf of the City, to approve any changes in the Escrow Agreements from the form attached hereto and to execute the Escrow Agreement in final form. All funds on deposit in the escrow fund which are approved by the Texas Water Development Board to be transferred to the City in order to pay eligible project costs (instead of the Escrow Agent paying such project costs directly from the escrow funds to the appropriate vendor or service provider) shall be deposited by the City into the "18-106 Account" of the Construction Fund, which is hereby authorized to be created. Funds on deposit in the Construction Fund (i) may be invested from time to time in the manner provided by Section 9 of this Ordinance, and (ii) shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended.

In satisfaction of the condition imposed in paragraph 7 of the TWDB Resolution, the City shall use any proceeds from the Certificates of Obligation that are determined to be remaining unused funds, which are those funds unspent after the original approved Projects is completed, for enhancements to the original Projects that are explicitly approved by the Executive Administrator of the Texas Water Development Board or, if no enhancements are so authorized, the City shall submit a final accounting and disposition of any unused funds.

Additionally, in satisfaction of the condition imposed in paragraph 8 of the TWDB Resolution, any proceeds of the Certificates of Obligation remaining on deposit in the escrow fund and the 18-106 Account of the Construction Fund upon completion of the Projects and completion of a final accounting, shall be used for any of the following purposes as approved by the City and the Executive Administrator of the Texas Water Development Board: (i) to redeem, in inverse annual order, the outstanding Certificates of Obligation owned by the Texas Water Development Board; (ii) to deposit into the Interest and Sinking Fund for the payment of interest or principal on the Certificates of Obligation owned by the Texas Water Development Board; or (iii) deposit into a reserve fund, if applicable.

SECTION EIGHTEEN. FINAL ACCOUNTING. In accordance with 31 TAC 371.70(2)(N) and 31 TAC 371.85, the City shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by the City for the Project being financed by the City with proceeds of the Certificates of Obligation together with a copy of "as built" plans

of the Project pursuant to 31 TAC 371.83. If the Project as finally completed is built at a total cost less than the amount of available funds for building the Project, or if the Executive Administrator of the Texas Water Development Board disapproves construction of any portion of the Project as not being in accordance with the plans and specifications, the City agrees to immediately, with filing of the final accounting, return to the Texas Water Development Board the amount of any such excess and/or the cost determined by the Executive Administrator of the Texas Water Development Board relating to the parts of the Project not built in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Certificates of Obligation, upon the surrender and cancellation of a like amount of such Certificates of Obligation held by the Texas Water Development Board in inverse order of their stated maturities. In determining the amount of available funds for building the Project, the City agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Texas Water Development Board, if any, all other funds available for the Project as described in the project engineer's or fiscal representative's sufficiency of funds statement, and all interest earned by the City on money in the Construction Fund.

SECTION NINETEEN. COMPLIANCE WITH THE RULES AND REGULATIONS OF, AND WITH SPECIFIC COVENANTS REQUIRED BY, THE TEXAS WATER DEVELOPMENT BOARD.

(a) Compliance with Rules and Regulations of the Texas Water Development Board. As required by 31 TAC 371.31(b)(2)(E), the City covenants to comply with all applicable federal laws, rules, and regulations as well as the laws of the State of Texas and the rules and regulations of the Texas Water Development Board.

(b) Exercise of Remedies. In satisfaction of the condition imposed in paragraph 9 of the TWDB Resolution, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Certificates of Obligation that restricts or limits the TWDB's full exercise of such remedies shall be of no force and effect.

(c) Proceeds to Certificates of Obligation to be Held at a Designated State Depository. In satisfaction of the condition imposed in paragraph 10 of the TWDB Resolution, and notwithstanding anything to the contrary set forth in this Ordinance including specifically Section 8 hereof, the proceeds of the Certificates of Obligation shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(d) Prohibition on Use of Proceeds Related to Contaminated Soil; Indemnification. In satisfaction of the condition imposed in paragraph 11 of the TWDB Resolution, no proceeds of the Certificates of Obligation shall be used by the City for the purpose of paying for sampling, testing, removing or disposing of contaminated soils and/or media at the project site. To the extent permitted by law, the City hereby agrees to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims, causes of action or damages to the person or property

of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project.

(e) *No Acquisition of Source Series Bonds.* In satisfaction of the condition imposed in paragraph 26 of the TWDB Resolution, neither the City nor a related party thereto will acquire any of the Texas Water Development Board's "Source Series Bonds" in an amount related to the amount of the Certificates of Obligation to be acquired from the City by the Texas Water Development Board.

(f) *Outlay Reports.* In satisfaction of the condition imposed in paragraph 27 of the TWDB Resolution, City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with Texas Water Development Board outlay report guidelines.

(g) *Compliance with Davis-Bacon Act Provisions.* In satisfaction of the condition imposed in paragraph 28 of the TWDB Resolution, City covenants that all laborers and mechanics employed by contractors and subcontractors for projects financed with proceeds of the Certificates of Obligation shall be paid wages at rates not less than those prevailing on projects of a similar character in the City in accordance with the federal Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City and all contractors and sub-contractors employed by the City shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the Texas Water Development Board.

(h) *Compliance with Federal Funding Accountability and Transparency Act; DUNS Number; SAM.* In satisfaction of the condition imposed in paragraph 29 of the TWDB Resolution, the City shall provide the Texas Water Development Board with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252, and the City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Certificates of Obligation are outstanding.

(i) *Timely Use of Proceeds.* In satisfaction of the condition imposed in paragraph 30 of the TWDB Resolution, all proceeds of the Certificates of Obligation will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and the City will adhere to a project schedule approved by the Executive Administrator of the Texas Water Development Board which shall not be altered except for good cause shown and only with the written approval of the Executive Administrator.

(j) Use of Iron and Steel Products. In satisfaction of the condition imposed in paragraph 31 of the TWDB Resolution, the City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC §371.4 and related State Revolving Fund Policy Guidelines;

(k) *Maintenance of Projects Accounts.* In satisfaction of the condition imposed in paragraph 31 of the TWDB Resolution, the City will comply with the requirements set forth in 33 U.S.C. § 1382 et seq. related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets.

(l) *Useful Life Schedule and Average Weighted Maturity Certification.* In satisfaction of the condition imposed in paragraph 32 of the TWDB Resolution, the City will submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the City that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the Projects, as determined by the schedule.

(m) *Payment of Origination Fee.* In satisfaction of the condition imposed in paragraph 33 of the TWDB Resolution, prior to or concurrent with the closing and delivery of the Certificates of Obligation, the City covenants and agrees that it will pay an origination fee to the Texas Water Development Board in the amount of **\$105,240.00** (which amount is equal to 2.15% of the principal amount of the Certificates of Obligation calculated pursuant to 31 TAC Chapter 371).

(n) *Records and Accounts; Annual Audit.* The City covenants that (i) as required by 31 TAC 371.70(a)(2)(L), it will keep current, accurate and complete records and accounts in accordance with generally accepted accounting principles necessary to demonstrate compliance with financial assistance-related legal and contractual provisions, and (ii) as required by 31 TAC 371.70(a)(2)(M), following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants in accordance with generally accepted auditing standards, and will furnish a copy thereof, within 180 days of the end of such fiscal year, to the Texas Water Development Board, Attention: Executive Administrator.

(o) *Maintenance of Insurance on the City's Waterworks and Sewer System to Protect Interests of the TWDB.* The City covenants that, as required by 31 TAC 371.70(a)(2)(J), it will obtain and maintain insurance coverage on the City's Waterworks and Sewer System in an amount sufficient to protect the Board's interest in the project being financed with proceeds of the Certificates of Obligation.

SECTION TWENTY. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS AND APPROVE CHANGES. The Mayor, Mayor Pro-Tem, City Secretary, City Manager and Director of Finance of the City, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificates of Obligation, the sale of the Certificates of Obligation, the Official Statement, the Purchase Contract, and the Paying Agent/Registrar

Agreement. In addition, prior to the initial delivery of the Certificates of Obligation, the Mayor, Mayor Pro-Tem, City Secretary, City Manager, Director of Finance, the City Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy any requirements of the provider of a municipal bond insurance policy, if any, (iii) satisfy requirements of the Texas Water Development Board, or (iv) obtain the approval of the Certificates of Obligation by the Attorney General's office. In case any officer whose signature shall appear on any Certificate of Obligation shall cease to be such officer before the delivery of such Certificate of Obligation, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. The Director of Finance of the City is further authorized to pay to the Attorney General of Texas prior to the delivery of the Certificates of Obligation, for the Attorney General's review of the transcript of proceedings related to the Certificates of Obligation, the amount required pursuant to Section 1202.004, Texas Government Code, as amended.

SECTION TWENTY-ONE. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owners of the Certificates of Obligation, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Certificate of Obligation remains outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners. The City may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Certificates of Obligation then outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of all of the Registered Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates of Obligation, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Certificate of Obligation over any other Certificate of Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Certificates of Obligation required for consent to any such amendment, change, modification, or rescission. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owners, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owners at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Registered Owners of a majority in aggregate principal amount of the Certificates of Obligation then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Registered Owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon,

but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION TWENTY-TWO. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Certificates of Obligation, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance and the continuation thereof for 30 days after the City has received written notice of such defaults, the Holders of any of the Certificates of Obligation shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION TWENTY-THREE. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Underwriters and the registered owners of the Certificates of Obligation, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Underwriters and the registered owners of the Certificates of Obligation.

SECTION TWENTY-FOUR. APPROPRIATION TO PAY PRINCIPAL AND INTEREST. The City Council hereby finds that there are sufficient funds available to pay the principal and interest on the Certificates of Obligation coming due on [August] 15, 2019, and hereby directs the Director of Finance to transfer on or before such date available funds to the Interest and Sinking Fund in an amount sufficient to pay such principal and interest coming due on such dates.

SECTION TWENTY-FIVE. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION TWENTY-SIX. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION TWENTY-SEVEN. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately after its adoption by the City Council.

[The remainder of this page left blank intentionally.]

**PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF
KERRVILLE, TEXAS AT A REGULAR MEETING ON THE 13TH DAY OF NOVEMBER,
2018, AT WHICH MEETING A QUORUM WAS PRESENT.**

Bill Blackburn, Mayor

ATTEST:

Cheryl Brown, Interim City Secretary

APPROVED AS TO FORM:

Michael C. Hayes, City Attorney

(CITY SEAL)

** ** ** ** **

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

THE PAYING AGENT/REGISTRAR AGREEMENT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

EXHIBIT B

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Certificates, the City's chief financial officer (the "**Responsible Person**"), which currently is the City's Director of Finance, will:

- (i) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Certificates will be entered into within six (6) months of the date of delivery of the Certificates (the "**Issue Date**");
- (ii) monitor that at least 85% of the proceeds of the Certificates to be used for the construction, renovation or acquisition of any facilities are expended within three (3) years of the Issue Date;
- (iii) restrict the yield of the investments to the yield on the Certificates after three (3) years of the Issue Date;
- (iv) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Certificates does not exceed an amount equal to the debt service on the Certificates in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Certificates for the immediately preceding 12-month period;
- (v) ensure that no more than 50% of the proceeds of the Certificates are invested in an investment with a guaranteed yield for 4 years or more;
- (vi) maintain any official action of the City (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Certificates any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
- (vii) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
- (viii) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (A) at least every 5 years after the Issue Date and (B) within 30 days after the date the Certificates are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Certificates the Responsible Person will:

- (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
- (ii) monitor whether, at any time the Certificates are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
- (iii) monitor whether, at any time the Certificates are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
- (iv) monitor whether, at any time the Certificates are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
- (v) determine whether, at any time the Certificates are outstanding, any person, other than the City, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Certificates are outstanding, the facilities are sold or otherwise disposed of; and
- (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Certificates and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Certificates. If any portion of the Certificates is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Person. The Responsible Person shall receive appropriate training regarding the City's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Certificates. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

EXHIBIT C

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 15 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The annual audited financial statements of the City or the unaudited financial statements of the City in the event audited financial statements are not completed within six months after the end of any fiscal year.
2. All quantitative financial information and operating data with respect to the City of the general type included in Appendix A of the Official Statement related to the City's *Combination Tax and Revenue Certificates of Obligation, Series 2016* under Tables 1 through 6 and 8 through 15 (referred to in Section 15 of this Ordinance as the "Annual Operating Report") within six months after the end of any fiscal year.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

EXHIBIT D

FORM OF ESCROW AGREEMENT

THE ESCROW AGREEMENT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

Project & Funding Calendar

Date	Activity
03/27/18	Council approves resolution authorizing TWDB funding application (Legion Lift)
04/20/18	Legion Lift funding application submitted to TWDB
04/24/18	Council approves resolution authorizing TWDB funding application (TTHM)
06/12/18	Council approves \$2M EIC funding agreement for Legion Lift
06/22/18	TTHM funding application submitted to TWDB
09/12/18	TWDB notified City that both applications have been approved
09/25/18	Resolution authorizing publication
10/03/18	First publication of notice of intention to issue debt
10/10/18	Second publication of notice of intention to issue debt
11/06/18	TWDB sets interest rates
11/13/18	Ordinances authorizing issuance of debt
12/06/18	Debt closing
Dec 2018	Award bids - both projects
Jan 2019	Construction begins on both projects. Completion expected by early 2020.

Debt Service Model - Water and Sewer Fund
Debt Capacity Analysis

Year	Legion Lift	TTHM	CIP	CIP				REVENUE		
	2018 \$8.0/2.29% 30 yr TWDB	2019 \$5.0/2.25% 30 yr TWDB	2023 \$10.0/3.0%	2027 \$4.0/4.0%	Total New Debt Service	Existing Annual Debt Service	Total Annual Debt Service	W&S Revenue Forecast	35% of Revenue Limit	Remaining Capacity
2019	112,563	66,969			179,532	3,745,583	3,925,115	12,528,732	4,385,056	459,941
2020	162,742	101,823			264,565	3,965,203	4,229,768	13,085,217	4,579,826	350,058
2021	167,742	231,784			399,526	3,697,477	4,097,003	13,373,601	4,680,760	583,758
2022	377,696	230,596			608,292	3,709,834	4,318,126	13,582,149	4,753,752	435,627
2023	375,503	234,286	333,333		943,122	3,720,483	4,663,605	13,795,827	4,828,539	164,934
2024	378,116	232,802	481,400		1,092,318	3,810,426	4,902,744	14,217,269	4,976,044	73,300
2025	375,454	231,178	672,350		1,278,982	3,793,786	5,072,768	14,553,961	5,093,886	21,118
2026	377,572	234,414	692,706		1,304,692	3,758,122	5,062,814	14,900,664	5,215,232	152,418
2027	374,377	232,428	695,556	214,111	1,516,472	3,730,533	5,247,005	15,257,710	5,340,198	93,194
2028	375,912	235,267	670,750	294,000	1,575,929	3,715,694	5,291,623	15,625,443	5,468,905	177,283

Assumptions:

1. Water rate increases:

FY2019 - 4%

FY2020 - 6%

2. Sewer rate increases:

FY2019 - 2%

FY2020 - 2%

FY2021 - 2%

3. Assumes \$2M cash funding of Legion Lift Station project from EIC



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Ordinance No. 2018-32 amending Chapter 2, "Administration," Article IV "Boards and Commissions" of the Code of Ordinances of the City of Kerrville, Texas, by adding a new Section 2-91, to create a Senior Services Advisory Committee; providing the functions of said committee; containing a cumulative clause; containing a savings and severability clause; and providing other matters relating to this subject.

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 10/29/2018

SUBMITTED BY: Cheryl Brown
Interim City Secretary

EXHIBITS: Ordinance No. 2018-32

Expenditure Required: \$0	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	Yes:	No: <input type="checkbox"/>
Key Priority Area Guiding Principle	C-Community and Neighborhood Character/Placemaking C3 Promote the use of inclusive processes to capture the voices of the citizenry in decision making.	
Action Item	N/A	

SUMMARY STATEMENT:

This Ordinance was approved on first reading on October 23, 2018, with minor revisions. Those revisions were made pursuant to City Council's request.

RECOMMENDED ACTION:

Approve Ordinance No. 2018-32 on second and final reading.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2018-32**

**AN ORDINANCE AMENDING CHAPTER 2,
“ADMINISTRATION,” ARTICLE IV “BOARDS AND
COMMISSIONS” OF THE CODE OF ORDINANCES
OF THE CITY OF KERRVILLE, TEXAS, BY ADDING
A NEW SECTION 2-91, TO CREATE A SENIOR
SERVICES ADVISORY COMMITTEE; PROVIDING
THE FUNCTIONS OF SAID COMMITTEE;
CONTAINING A CUMULATIVE CLAUSE;
CONTAINING A SAVINGS AND SEVERABILITY
CLAUSE; AND PROVIDING OTHER MATTERS
RELATING TO THIS SUBJECT**

WHEREAS, City Council believes it beneficial to attempt to better utilize the resources of and for senior adults living within the City by creating a committee tasked with reviewing key issues for seniors and ways to create, promote, and maintain various services for this group; and

WHEREAS, City Council finds it to be in the public interest to amend Chapter 2, Article IV of the Code of Ordinances of the City of Kerrville to create a Senior Services Advisory Committee for the purpose provided above;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF
THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

SECTION ONE. Chapter 2 “Administration,” Article IV “Boards and Commissions” of the Code of Ordinance of the City of Kerrville, Texas, is amended by adding a new Section 2-91 indicated by the underlined language (added) as follows:

“Sec. 2-91. – Senior Services Advisory Committee.

(a) Creation of Senior Services Advisory Committee; terms; membership; meetings.

(1) There is hereby created the Senior Services Advisory Committee of the City (“Committee”), which shall be an advisory body of 13 members appointed by City Council. The mayor shall appoint the chair and vice-chair from among the appointments made by Council, but only following the appointment of the initial Committee. Thereafter, each Committee shall select the chair and vice-chair from among its members.

(2) During the initial appointment of Committee members, Council will appoint 6 of the Committee members to terms expiring September 30, 2019. Council will then appoint each of the remaining 7 members to terms

expiring September 30, 2020. Subsequent appointments shall serve a full two-year term. All members shall serve until their successors are appointed and qualified, but regardless, each term will exist as a two-year term beginning October 1 through September 30 two years hence.

(3) Members must be at least 55 years of age or have relative experience in providing services to seniors, should be persons who are concerned about senior affairs in the community, and must reside within the City.

(4) The committee shall be scheduled to meet at least once each month and may hold additional meetings at the call of the chair.

(b) Senior Services Advisory Committee - Functions.

(1) The Senior Services Advisory Committee shall act as an advisory body to the City Manager and City Council and shall:

a. recommend the role of the City and the Committee in ensuring the provision of services to the elderly;

b. advise City Council as requested on elderly issues;

c. assist the City in identifying programs for the elderly that are needed in the community; and

d. perform other duties assigned by City Council.

(2) The City Manager shall designate staff liaison responsibilities to the Committee."

SECTION TWO. The City Secretary is authorized and directed to submit this amendment to the publisher of the City's Code of Ordinances and the publisher is authorized to amend said Code to reflect the amendment adopted herein and to correct typographical errors and to index, format, and number and letter paragraphs to the existing Code as appropriate.

SECTION THREE. The provisions of this Ordinance are to be cumulative of all other ordinances or parts of ordinances governing or regulating the same subject matter as that covered herein; provided, however, that all prior ordinances or parts of ordinances inconsistent with or in conflict with any of the provisions of this Ordinance are hereby expressly repealed to the extent of any such inconsistency or conflict.

SECTION FOUR. If any section, subsection, sentence, clause, or phrase of this Ordinance is, for any reason, held to be unconstitutional or invalid, such holding shall not affect the validity of the remaining portions of this Ordinance. The Council of the City of Kerrville, Texas hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, or phrase hereof irrespective of the fact that one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

PASSED AND APPROVED ON FIRST READING, this the _____ day of _____, A.D., 2018.

PASSED AND APPROVED ON SECOND AND FINAL READING, this the _____ day of _____, A.D., 2018.

ATTEST:

Bill Blackburn, Mayor

Cheryl Brown, Interim City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Authorize execution of a construction contract for the Water Treatment Plant Clarifier Rehab with Keystone Construction in the amount of \$796,000.00.

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 11/7/2018

SUBMITTED BY: Kyle Burow
Director of Engineering

EXHIBITS: WTP Clarifier Rehab_Received Bids
WTP Clarifier Rehab_Recommendation Letter

Expenditure Required: \$796,000.00	Current Balance in Account: \$1,408,887.12	Amount Budgeted: \$1,500,000.00	Account Number: 71-7100-2500 Project: 71-17002
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PAYMENT TO BE MADE TO: Keystone Construction
7100 Old Bee Caves Rd
Austin, TX 78735

Kerrville 2050 Item?	Yes:	No: <input type="checkbox"/>
Key Priority Area	W - Water/Waste-Water/Drainage	
Guiding Principle	W1 - Develop and maintain long-range water plans that prioritize infrastructure needs and identify funding sources	
Action Item	N/A	

SUMMARY STATEMENT:

The City of Kerrville has two water treatment plants, a Zenon Ultra Filtration Plant and a conventional water treatment plant. The current Water Master Plan ranked the rehabilitation of the clarifier at the conventional water treatment plant the most important Water Treatment Plant (WTP) project over all. This project was first listed in the approved 2015 Community Investment Plan, and the funding for the design, engineering, and construction of the project was approved by the City Council in the FY 2017 Budget. The clarifier is a critical component. When taken offline, the conventional plant will not produce water. The conventional plant treats approximately 80% of the City's drinking water and has been in operation since the plant was built in 1979. Over the last 38 years many of the metal components within the clarifier have become corroded and are now structurally damaged or have simply worn out. These parts are no longer available and must be manufactured or fabricated prior to replacement which increases the City's operating cost and the down time while the components are being made and installed.

In April 2017, the City hired Freese and Nichols, Inc. (FNI) to design and specify the installation of new hardware within the clarifier. As part of the design process, information was provided by FNI pertaining to the delays due to the equipment purchase. At the recommendation of FNI, the equipment procurement was separated to expedite the

construction phase. The equipment procurement was awarded to WesTech Engineering, Inc. in the July 24, 2018 meeting in the amount of \$513,852.00. The recommendation to divide these was based on the lead time of the equipment which was 6-8 months from the approval of purchasing. The second package of the project entails the hiring of a general contractor to perform the construction phase consisting of installation of the equipment to be purchased, perform electrical work, and other essential items necessary to complete the project. Design documents were completed and bids received November 6, 2018 with Keystone Construction submitting the lone bid. FNI and City staff evaluated the lone bid finding to be under the cost estimate and recommend awarding the contract to Keystone Construction as the general contractor to complete the project in the amount of \$796,000.00. The overall project was budgeted at \$1.5 million, the total cost is \$1,309,852.00.

RECOMMENDED ACTION:

Authorize execution of a construction contract with Keystone Construction.

Project Name : WTP Clarifier Rehab

Engineering Number: PW#17-004

Bid Opening: November 6, 2018



10431 Morado Circle, Suite 300 • Austin, Texas 78759 • 512-617-3100 • fax 512-617-3101

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November 8, 2018

Kyle Burow, P.E.
Director of Engineering
City of Kerrville
701 Main Street
Kerrville, TX 78028

Re: Water Treatment Plant Clarifier Rehabilitation
City of Kerrville Project No. 17-004
Recommendation of Award

Dear Mr. Burow:

The City of Kerrville received bids for the above referenced project on November 6, 2018 at 3:00 p.m. at the City Secretary's office. A total of one bid was received from Keystone Construction for a total bid amount of \$796,000. Freese and Nichols' estimate for the bid was \$800,000. Based on a review of their submitted qualifications and our previous experience with their personnel, Keystone Construction appears to be qualified and capable of performing the work on this type of project. Therefore, based on this information, Freese and Nichols recommends that the City of Kerrville award the construction contract for this Project to Keystone Construction in the bid amount of \$796,000.

If you have any questions regarding this matter, please feel free to contact us.

Sincerely,

Mark Graves, P.E.
Mark.Graves@Freese.com
512-617-3193
Freese and Nichols, Inc.



11-8-2018

FREESE AND NICHOLS, INC.
TEXAS REGISTERED
ENGINEERING FIRM
F-2144



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Interlocal Agreement with South Central Planning and Development Commission for development services software.

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 10/17/2018

SUBMITTED BY: Drew Paxton

EXHIBITS: Interlocal Agreement

Expenditure Required: \$41,259.96	Current Balance in Account: \$79,200	Amount Budgeted: \$79,200	Account Number: Enter Account #.
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PAYMENT TO BE MADE TO: South Central Planning and Development Commission

Kerrville 2050 Item?	Yes:	No: <input type="checkbox"/>
Key Priority Area	F - Public Facilities and Services	
Guiding Principle	F1 - Commit to maintaining high-quality, cost-effective public services and facilities consistent with anticipated growth and ensure cost-effective use and maintenance of these assets	
Action Item	F1.7 - Continue to evaluate Development Services processes and enhance the consistency and timeliness of services.	

SUMMARY STATEMENT:

Throughout the review of current Development Services processes, particularly the building permit process, one common concern was the access to information regarding the building permit applications and plan review process. Through a Lean Six Sigma project, Trina Sanchez was able to identify multiple areas for improvement in many parts of the process. While some of these improvements have been put in place, one major setback for the departments is the permitting software. Additionally, Development Services has been working with a small group of development and building stakeholders to help identify areas and processes for improvement. This group expressed a deep desire to have more access to the information and steps during the permitting process.

Development Services has been utilizing the current software, Incode 9, since 2008. The software has undergone many updates and changes over the past decade, however those changes have not improved the process. Now the parent company, Tyler Technologies, is pushing their focus away from Incode as a permitting program onto other platforms and in doing so has limited support and no longer offering updates to Incode 9.

Knowing the limitations and lack of growth with the current software, Development Services staff and other departments began reviewing and demoing several permitting software programs within the past few months. As staff began to check off the list of

wants and needs of City departments and stakeholders, the review pointed towards one particular software group.

The cost for this type of software varies substantially depending on the company, the number of modules offered, as well as the structure of fee schedules. Some companies offer a flat yearly rate based on population while others offer fee schedules based on total number of permits per year.

The South Central Planning and Development Commission (SCPDC), as their name indicates, is a regional planning organization in Louisiana. SCPDC developed a software for their own use and over the last several years have been partnering with other communities to utilize the software. This software set, known as My Government Online and the permitting module My Permit Now, allows users on both sides access to permits, plans, and inspections online and real time. Contractors and citizens can log in and receive updates on a permit or inspections 24/7. Staff will be able to coordinate plan review, revisions, and inspections with multiple parties and departments at the same time. This type of access to the process will help improve communications with staff and contractors throughout the entire permitting process.

The My Government Online software offers all of the modules that the development stakeholders and staff are looking to utilize. SCPDC uses a permit count for their fee structure and a leveled monthly billing. For the average number of permits in Kerrville, this is projected at \$3,438.33 per month, or about \$41,260 per year. This software is more expensive per month than some other options, however SCPDC does not charge any start-up costs like the other options.

SCPDC has partnered with several other Texas communities as well. San Marcos, Leander, Georgetown, Dripping Springs, and Marble Falls are a few.

My Permit Now is also set up for digital plan review and inspections. Staff will no longer be limited by reviewing hard copies of plans in the office or in the field. Inspections reports will update immediately and can be emailed to all parties involved.

This software update will have an impact on several departments, not just Development Services. The building permit plan review process alone involves six departments: Building Services, Planning, Engineering, Public Works, Environmental Health, and Fire Marshals. The modules within the software will directly impact four to five departments: Building Services, Planning, Code Enforcement, Environmental Health, and possibly some options for Engineering.

Once contracted, the implementation process will take between three to six months. Development Services anticipates a “go live” date sometime in the spring of 2019.

RECOMMENDED ACTION:

Approve the Interlocal Agreement.

**INTERLOCAL CONTRACT
FOR LICENSING SCPDC SOFTWARE**

Sec. 1. Parties and Purpose

1.1. The Capital Area Council of Governments ("CAPCOG") is a regional planning commission and political subdivision of the State of Texas organized and operating under the Texas Regional Planning Act of 1965, Chapter 391 of the Local Government Code, as amended, and is a signatory Agent for Lessor.

1.2. The City of Kerrville, Texas ("Licensee") is a Texas home-rule city.

1.3. The South Central Planning and Development Commission (Lessor) ("SCPDC") is a regional planning commission and Political Subdivision of the State of Louisiana, domiciled in Terrebonne Parish. The district was established in 1973 and created by law in 1978 under state act 472. The statute allows its member governmental entities to come together through SCPDC to provide long range planning, act as a state and federal liaison, provide guidance and study to current issues affecting government, and provide services to business and citizens.

1.4. SCPDC has created MyPermitNow, MyProjectNow, MyAddressNow, Inspection Anywhere and MyGovernmentOnline software (the "SCPDC Software") and this Agreement is entered into among Licensee, and SCPDC under chapter 791 of the Government Code to license Contractor to use the SCPDC Software under certain terms and conditions. CAPCOG has been granted a limited power of attorney by SCPDC to execute this Agreement on SCPDC's behalf.

This INTERLOCAL CONTRACT USE AGREEMENT (this "Agreement") is entered into by and between Lessor and Licensee, and describes the terms and conditions pursuant to which Lessor shall license to Licensee the use of, and provide support for, certain Software (as defined below).

In consideration of the mutual promises and upon the terms and conditions set forth below, the parties agree as follows:

2. DEFINITIONS

2.1 "CONFIDENTIAL INFORMATION" means this Agreement, including all of its terms, and all its Schedules, any addenda hereto signed by both parties, all Software listings, Documentation, information, data, drawings, benchmark tests, specifications, trade secrets, object code and machine-readable copies of the Software, source code relating to the Software, and any other proprietary information supplied to Licensee by SCPDC, or by Licensee to SCPDC and clearly marked as "confidential information", including all items defined as "confidential information" in any other agreement between Licensee and SCPDC whether executed prior to or after the date of this Agreement.

2.2 "DOCUMENTATION" means any on-line help files, instruction manuals, operating instructions, user manuals, and specifications provided by SCPDC which describe the use of the Software and which either accompany the Software or are provided to Licensee at any time.

2.3 "EFFECTIVE DATE" means the later of the dates on which Licensee and SCPDC have signed this Agreement.

2.4 "EQUIPMENT" means the computer system, including peripheral equipment and operating system software, specified in Schedule B.

2.5 "MAJOR AND MINOR UPDATES" shall mean updates, if any, to the SCPDC Software. Major Updates involve additions of substantial functionality while Minor Updates do not. Major Updates are designated by a change in the number to the left of the decimal point of the number appearing after the product name while Minor Updates are designated by a change in such number to the right of the decimal point. Example, My Permit Now version X.0 (major update) and My Permit Now version 0.Y (minor update). SCPDC is the sole determiner of the availability and designation of an update as a Major or Minor Update. Where used herein "Updates" shall mean Major or Minor Updates interchangeably.

2.6 "SITE" means each physical location, or each Internet link accessible by end-users through Licensee's Web Site, at which Licensee and its customers are entitled to Use the Software.

2.7 "SOFTWARE" means the computer software programs specified in Schedule A and otherwise provided for Licensee use pursuant to this Agreement.

2.8 "USE" means loading, utilization, storage or display of the Software by Licensee for its own internal information processing, and utilization by end users accessing Licensee's Web Site through the Internet.

2.9 "PERMIT" shall mean any type of permit, including but not limited to, new construction permit, building permit, structure renovation permit, mechanical permit, plumbing permit, gas permit, electrical permit, and sign permit. Multiple permits listed under one number shall not be considered a single permit when calculating funds owed SCPDC pursuant to the terms of the Cooperative Endeavor Use Agreement.

2.10 "License Fee(s)" shall mean all payment due pursuant to this Agreement, including the permit volume package amount and the payments due for the elected add on modules as detailed in Schedule A.

3. LICENSE, DELIVERABLES AND COPIES

3.1 LICENSE GRANT.

(a) Subject to the terms of this Agreement, Licensor grants to Licensee a nonexclusive, nontransferable, royalty-bearing user license during the term of this Agreement to use the Licensor's Software, through Internet access only, internally on one or more servers controlled by or on behalf of Licensee solely for purposes of using the Licensor's products known as My Permit Now, MyProjectNow, MyAddressNow, MyGovernmentOnline, Inspection Anywhere. The scope of the foregoing license encompasses Licensee's internal use of Licensor's Software in connection

with providing services to Licensee's customers, allowing customers of Licensee access to Licensee's portal for the purpose of researching permit requirements and submitting permit requests to the Licensee, but excludes any sublicensing of Licensor's Software, uploading or otherwise transferring, or providing direct access to, the Licensor's Software to any third party without Licensor's prior written consent, including access by any third party to the Licensor's Software on a stand-alone basis. License granted hereunder includes the use of Documentation in connection with Use of the Software.

(b) OWNERSHIP. SCPDC and its licensors solely own all right, title and interest in and to the SCPDC's Software, and reserve all rights therein not expressly granted under this Agreement. This license transfers to Licensee neither title nor any proprietary or intellectual property rights to the Software, Documentation, or any copyrights, patents, or trademarks, embodied or used in connection therewith, except for the rights expressly granted herein.

(i) Without limiting the generality of the foregoing, except as expressly stated in paragraph (a), Licensee may not directly or through any third party (a) transfer or sublicense, in whole or part, any copies of the SCPDC Software to any third party; (b) modify, decompile, reverse engineer, or otherwise attempt to access the source code of the SCPDC Software; or (c) copy the SCPDC Software, except such copies of the records as necessary for reasonable and customary back-up and disaster recovery purposes. Licensee will not delete or alter the copyright, trademark or other proprietary rights notices of SCPDC and its licensors included with the SCPDC Software as delivered to Licensee, and will reproduce such notices on all copies of the SCPDC Software. If derivative works of the SCPDC Software are prepared by or on behalf of Licensee based on suggestions or requests by Licensee, SCPDC will solely own such modifications.

(ii) The Licensee may not develop products that interface or are intended for use with the SCPDC Software ("Add-On Products") without SCPDC's express written permission.

(c) Notwithstanding the inclusion of Licensee's customer in the class of allowed users, SCPDC's affirmative obligations will be limited to the entity named above. Licensee, to the extent permitted by law, hereby shall indemnify and hold harmless SCPDC from and against all losses, costs, liabilities and expenses arising out of or relating to any breach by Licensee of this Agreement, use of the software, or as a result of the carelessness, negligence or improper conduct of Licensee, its agents, employees or representatives.

3.2 DELIVERABLES. SCPDC shall issue to Licensee, as soon as practicable, a web address from where the Licensee can select "jurisdiction login." The login account shall be comprised of a unique username (for instance johndoe@scfdc.org) and password for each user of the system in the employ and under control of Licensee.

3.3 COPIES. Whenever Licensee is permitted to copy or reproduce all or any part of the Documentation, all titles, trademark symbols, copyright symbols and legends, and other proprietary markings must be reproduced.

4. LICENSE RESTRICTIONS. Licensee agrees that it will not itself, or through any parent, subsidiary, affiliate, agent or other third party: (a) sell, lease, license or sub-license the Software or the Documentation; (b) decompile, disassemble, or reverse engineer Software, in whole or in

part; (c) write or develop any derivative software or any other software program based upon the Software or any Confidential Information; (d) use the Software to provide services on a “service bureau” basis; or (e) provide, disclose, divulge or make available to, or permit use of the Software by any unauthorized third party without SCPDC’s prior written consent.

5. LICENSE FEE

5.1 LICENSE FEE. In consideration of the license granted pursuant to Section 2.1. Licensee agrees to pay SCPDC the License Fee specified in Schedule A. Licensee shall pay SCPDC a fee based on Licensee’s use of the SCPDC Software, determined according to the terms set forth in Schedule A. It is expressly agreed that the Licensee will not house transactions that are the basis of fees paid to SCPDC in another system with the intention of avoiding the responsibility of paying fees to SCPDC for the term of this Agreement. Should SCPDC determine that Licensee violates this provision, SCPDC, at its expense and on reasonable notice, may cause such Licensee’s records to be audited upon at least twenty-four hours’ notice and then during regular business hours at Licensee’s facilities. If an audit reveals underpayment of fees due under this Agreement, all such amounts will be promptly paid with interest at the prevailing U.S. dollar prime rate accruing from the original due date. If any such underpayment exceeds 5% of the fees due for the period audited, Licensee will also pay SCPDC’s reasonable costs of conducting the audit.

5.2 TAXES. Licensee agrees to pay or reimburse SCPDC for all federal, state, parish, or local sales, use, personal property, payroll, excise or other taxes, fees, or duties arising out of this Agreement or the transactions contemplated by this Agreement (other than taxes on the net income of SCPDC). To the extent practicable, SCPDC shall inform Licensee in writing as soon as possible with respect to the pending imposition or actual imposition of any such excise, tax, fee, or duties pursuant to this section.

5.3 NO OFFSET. Fees and expenses due from Licensee under this Agreement may not be withheld or offset by Licensee against other amounts owed by SCPDC for any reason.

6. MAINTENANCE AND SUPPORT. Licensee agrees to pay Fees according to Schedule A. For so long as Licensee is current in the payment of all fees in Schedule A, with respect to each software module, Licensee will be entitled to Maintenance and Support for each software module as set forth in Schedule C attached hereto. Failure to pay fees with respect to any software module shall be deemed a material breach of this Agreement and in such event SCPDC shall have the right to terminate the rights granted hereunder with respect to such site for the term of this Agreement.

7. LIMITED WARRANTY AND LIMITATION OF LIABILITY

7.1 LIMITED WARRANTY. SCPDC warrants for the term of the Agreement from the Effective Date (the “Warranty Period”) the Software will perform in substantial accordance with the Documentation under normal use. If during the Warranty Period the Software does not perform as warranted (a “Non-Conformance”), SCPDC shall undertake to correct such Non-Conformance, or if correction is reasonably not possible, replace such Software free of charge. If neither of the foregoing is commercially practicable, SCPDC shall terminate this Agreement and refund to Licensee the License Fee. THE FOREGOING ARE LICENSEE’S SOLE AND EXCLUSIVE REMEDIES FOR BREACH OF WARRANTY. The warranty set forth above is made to and for the benefit of Licensee only. The warranty will apply only if:

(a) the Software has been properly used at all times and in accordance with the instructions for Use; and

(b) no modification, alteration or addition has been made to the Software by persons under the control of Licensee (except pursuant to the authorized Use of the Software specified in Schedule A), except as authorized in writing by SCPDC; and

(c) Licensee has not requested modifications, alterations or additions to the Software that cause it to deviate from the Documentation;

(d) SCPDC warrants that it possesses all of the right, title, interest and authority to enter into this Agreement with Licensee. SCPDC also warrants that no lawsuit or claim concerning the Software is currently pending. Any pre-production versions of the Software distributed to Licensee are delivered "as-is," without any express or implied warranties. No employee, agent, representative or affiliate of SCPDC has authority to bind SCPDC to any oral representations or warranty concerning the Software. Any written representation or warranty not expressly contained in this Agreement will not be enforceable.

7.2 DISCLAIMER. EXCEPT AS SET FORTH ABOVE, SCPDC MAKES NO WARRANTIES, WHETHER EXPRESS, IMPLIED, OR STATUTORY REGARDING OR RELATING TO THE SOFTWARE OR THE DOCUMENTATION, OR ANY MATERIALS OR SERVICES FURNISHED OR PROVIDED TO LICENSEE UNDER THIS AGREEMENT, INCLUDING MAINTENANCE AND SUPPORT. SCPDC SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT WITH RESPECT TO THE SOFTWARE, DOCUMENTATION AND SAID OTHER MATERIALS AND SERVICES, AND WITH RESPECT TO THE FOREGOING. IN ADDITION, SCPDC DISCLAIMS ANY WARRANTY WITH RESPECT TO, AND WILL NOT BE LIABLE OR OTHERWISE RESPONSIBLE FOR, THE OPERATION OF THE SOFTWARE IF PROGRAMS ARE MADE THROUGH THE USE OF SOFTWARE OR NON-SCPDC SOFTWARE THAT CHANGE, OR ARE ABLE TO CHANGE, THE DATA MODEL OF THE SOFTWARE.

7.3 LIMITATION OF LIABILITY. IN NO EVENT WILL SCPDC BE LIABLE FOR ANY LOSS OF PROFITS, LOSS OF USE, BUSINESS INTERRUPTION, LOSS OF DATA, COST OF COVER OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND IN CONNECTION WITH OR ARISING OUT OF THE FURNISHING, PERFORMANCE OR USE OF THE SOFTWARE OR SERVICES PERFORMED HEREUNDER, WHETHER ALLEGED AS A BREACH OF CONTRACT OR TORTIOUS CONDUCT, INCLUDING NEGLIGENCE, EVEN IF SCPDC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ADDITION, SCPDC WILL NOT BE LIABLE FOR ANY DAMAGES CAUSED BY DELAY IN DELIVERY OR FURNISHING THE SOFTWARE OR SAID SERVICES. SCPDC'S LIABILITY UNDER THIS AGREEMENT FOR DIRECT, INDIRECT, SPECIAL, INCIDENTAL AND/OR CONSEQUENTIAL DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, RESTITUTION, WILL NOT, IN ANY EVENT, EXCEED THE LICENSE FEE PAID BY LICENSEE TO SCPDC UNDER THIS AGREEMENT.

7.4 ALLOCATION OF RISK. The provisions of this Section 7 allocate risks under this Agreement between Licensee and SCPDC. SCPDC's pricing reflects this allocation of risks and limitation thereof in accordance with the provisions of this Agreement and not liability.

7.5 CLAIMS. No action arising out of any breach or claimed breach of this Agreement or transactions contemplated by this Agreement may be brought by either party more than one (1) year after the cause of action has accrued. For purposes of this Agreement, a cause of action will be deemed to have accrued when a party knew or reasonably should have known of the breach or claimed breach.

7.6 LIMITATION. The foregoing obligations shall not apply to the extent the infringement arises as a result of modifications to the Software made by any party other than SCPDC or SCPDC's authorized representative.

7.7 EXCLUSIVE REMEDY. The foregoing states the entire liability of SCPDC and Licensee's exclusive remedy with respect to infringement of any patent, copyright, trade secret or other proprietary right.

7.8 Licensee, to the extent permitted by law, shall indemnify and hold SCPDC harmless from and against any costs, losses, liabilities and expenses arising out of third party claims related to any breach by Licensee of this Agreement, use of the software, or as a result of the carelessness, negligence or improper conduct of Licensee, its agents, employees or representatives.

8. CONFIDENTIALITY

8.1 CONFIDENTIAL INFORMATION. Each party acknowledges that the Confidential Information constitutes valuable trade secrets and each party agrees that it shall use Confidential Information solely in accordance with the provisions of this Agreement and will not disclose, or permit to be disclosed, the same, directly or indirectly, to any third party without the other party's prior written consent. Each party agrees to exercise due care in protecting the Confidential Information from unauthorized use and disclosure. Furthermore, it is understood that the terms of this Agreement reflect consideration received by Licensee in return for being an early user of the Software. However, neither party bears any responsibility for safeguarding information that (i) is publicly available, subject to a public records request pursuant to revised Statute 44:1 et seq. as well as Chapter 552, Tx. Gov't Code, (ii) already in the other party's possession and not subject to a confidentiality obligation, (iii) obtained by the other party from third parties without restrictions on disclosure, (iv) independently developed by the other party without reference to Confidential Information, or (v) required to be disclosed by order of a court or other governmental entity. Nothing herein will prevent routine discussions by the parties that normally take place in a "user group" context.

8.2 INJUNCTIVE RELIEF. In the event of actual or threatened breach of the provisions of Section 8.1, the non-breaching party will have no adequate remedy at law and will be entitled to immediate and injunctive and other equitable relief, without bond and without the necessity of showing actual monetary damages.

9. TERM AND TERMINATION

9.1 Term. This Agreement will take effect on the Effective Date and will remain in force for a period of two (2) years thereafter. The Agreement will automatically renew for 12-month periods following the end of the initial term unless terminated in accordance with this Agreement.

9.2 TERMINATION. This Agreement is terminated by:

(a) By Licensee. Should there be discovered a defect or flaw in the SCPDC software that prevents the Licensee from using the system to support Licensee's operations in issuance of permits, Licensee shall notify SCPDC of the issue. SCPDC will have 45 days to resolve the issue. If the issue cannot be resolved within the time period, the Agreement will terminate on the 1st of the following month. Licensee will pay for the performance of governmental functions or services and will make those payments from current revenues available to it. In addition, all obligations of Licensee under this instrument are currently funded but are subject to the discretion of Licensee's City Council whether to appropriate funding for future fiscal years (10/1-9/30). If the City Council fails to appropriate money for any obligation under this Agreement with respect to a future fiscal year, Licensee may terminate this Agreement and have no further liability. Licensee shall inform Lessor on or before August 1 of each year of this Agreement as to whether it will terminate pursuant to this provision.

(b) By SCPDC. Upon written notice to Licensee if any of the following events ("Termination Events") occur, provided that no such termination will entitle Licensee to a refund of any portion of the License Fee or maintenance fees: (i) Licensee fails to pay any undisputed amount due to SCPDC within thirty (30) days after SCPDC gives the Licensee written notice of such non-payment; (ii) Licensee is in material breach of any non-monetary term, condition or provision of Agreement, which breach, if capable of being cured, is not cured within thirty (30) days after SCPDC gives Licensee written notice of such breach; or (iii) Licensee becomes subject to any bankruptcy or insolvency proceeding under federal or state statutes; or (iv) SCPDC elects to refund Licensee's fees.

9.3 EFFECT OF TERMINATION. If any Termination Event occurs, termination will become effective immediately or on the date set forth in the written notice of termination. Termination of this Agreement will not affect the provisions regarding Licensee's or SCPDC's treatment of Confidential Information, provisions relating to the payment of amounts due, or provisions limiting or disclaiming SCPDC's liability, which provisions will survive termination of this Agreement. Within fourteen (14) days after the date of termination or discontinuance of this Agreement for any reason whatsoever, Licensee shall return any copies of the SCPDC Software, derivative works and all copies thereof, in whole or in part, all related Documentation and all copies thereof, and any other Confidential Information in its possession to SCPDC. Upon termination of this Agreement, Licensee shall cause the SCPDC Software to be removed from all computer units, including desktops and laptops, in the Licensee's office and from the computer units of third party contractors performing work for Licensee. Licensee shall furnish SCPDC with a certificate signed by an executive officer of Licensee verifying that the same has been done.

9.4 In the event of the termination or nonrenewal of this Agreement, SCPDC warrants that the information stored by SCPDC as a result of Licensee use of the MyPermitNow will be available to Licensee. SCPDC shall provide such information to Licensee within 30 days of any such event.

10. NON-ASSIGNMENT. Neither this Agreement nor any rights under this Agreement may be assigned or otherwise transferred by Licensee, in whole or in part, whether voluntary or by operation of law, including by way of sale of assets, merger or consolidation, without the prior written consent of SCPDC, which consent will not be unreasonably withheld or delayed. Subject to the foregoing, this Agreement will be binding upon and will inure to the benefit of the parties and their respective successors and assigns.

11. NOTICES. Any notice required or permitted under the terms of this Agreement or required by law must be in writing and must be (a) delivered in person, (b) sent by first class registered mail, or air mail, as appropriate, (c) sent by overnight air courier, or (d) by facsimile, in each case properly posted to the appropriate address set forth below. Either party may change its address for notice by notice to the other party given in accordance with this Section. Notices will be considered to have been given at the time of actual delivery in person, three (3) business days after deposited the mail as set forth above, one (1) day after delivery to an overnight air courier service, or one (1) day after the moment of transmission by facsimile.

To: South Central Planning and
District Commission

Address: 5058 West Main St.
Houma, LA 70360

To: City Manager, City of Kerrville

Address: City Hall, 701 Main Street
Kerrville, TX 78028

With copy to:

12. MISCELLANEOUS

12.1 VIRUSES AND DISABLING DEVICES. Neither SCPDC Software nor any enhancements, modifications, upgrades, updates, revisions or releases thereof shall contain (i) any mechanism such as a “trap door”, “time bomb”, or “logic bomb”, software protection routine or other similar device that would enable SCPDC to disable the Software or make the Software inaccessible to Licensee after the Software is installed; or (ii) to the best of SCPDC’s knowledge, any computer “virus”, “worm” or similar programming routine.

12.2 FORCE MAJEURE. Neither party will incur any liability to the other party on account of any loss or damage resulting from any delay or failure to perform all or any part of this Agreement if such delay or failure is caused, in whole or in part, by events, occurrences, or causes beyond the control and without negligence of the parties. Such events, occurrences, or causes will include, without limitation, acts of God, strikes, lockouts, riots, acts of war, earthquakes, fire and explosions, but the inability to meet financial obligations is expressly excluded.

12.3 WAIVER. Any waiver of the provisions of this Agreement or of a party’s rights or remedies under this Agreement must be in writing to be effective. Failure, neglect, or delay by a party to enforce the provisions of this Agreement or its rights or remedies at any time, will not be construed and will not be deemed to be a waiver of such party’s rights under this Agreement and will not in any way affect the validity of the whole or any part of this Agreement or prejudice such party’s right to take subsequent action. Except as expressly stated in this Agreement, no exercise

or enforcement by either party of any right or remedy under this Agreement will preclude the enforcement by such party of any other right or remedy under this Agreement or that such party is entitled by law to enforce.

12.4 **SEVERABILITY.** If any term, condition, or provision in this Agreement is found to be invalid, unlawful or unenforceable to any extent, the parties shall endeavor in good faith to agree to such amendments that will preserve, as far as possible, the intentions expressed in this Agreement. If the parties fail to agree on such an amendment, such invalid term, condition or provision will be severed from the remaining terms, conditions and provisions, which will continue to be valid and enforceable to the fullest extent permitted by law.

12.5 **STANDARD TERMS OF LICENSEE.** No terms, provisions or conditions of any purchase order, acknowledgment or other business form that Licensee may use in connection with the acquisition or licensing of the Software use will have any effect on the rights, duties or obligations of the parties under, or otherwise modify, this Agreement, regardless of any failure of SCPDC to object to such terms, provisions or conditions.

12.6 **AMENDMENTS TO THIS AGREEMENT.** This Agreement may not be amended, except by a writing signed by both parties.

12.7 **SCPDC'S PRIOR CONSENT.** Unless expressly provided otherwise in this Agreement, any prior consent of SCPDC that is required before Licensee may take an action may be granted or withheld in SCPDC's sole and absolute discretion.

12.8 **EXPORT OF SOFTWARE.** Licensee may not export or re-export the SCPDC Software without the prior written consent of SCPDC and without the appropriate United States and foreign government licenses.

12.9 **PUBLIC ANNOUNCEMENTS.** Licensee acknowledges that SCPDC may desire to use its name in press releases, product brochures and financial reports indicating that Licensee is a Licensee of SCPDC, and Licensee agrees that SCPDC may use its name in such a manner. Licensee reserves the right to review any use of its name and to withhold permission, which permission will not reasonably be withheld.

12.10 **DISPUTE RESOLUTION.** The parties have entered into this Agreement voluntarily and in good faith. As a result, if any dispute, claim or controversy ("dispute") arises between them, unless otherwise provided in this Agreement, they agree that they will first attempt to resolve the dispute by entering into mediation with a mediator selected from the Panel Members of LAMA.

12.11 **HEADINGS.** Section and Schedule headings are for ease of reference only and do not form part of this Agreement.

12.12 **ENTIRE AGREEMENT.** This Agreement (including the Schedules and any addenda hereto signed by both parties) contains the entire agreement of the parties with respect to the subject matter of this Agreement and supersedes all previous communications, representations, understandings and agreements, either oral or written, between the parties with respect to said subject matter, except as provided in Section 8.1 with respect to the definition of "Confidential Information."

IN WITNESS WHEREOF, the parties have executed this Agreement.

CITY OF KERRVILLE, TEXAS

By:

Mark L. McDaniel, City Manager

Date

SOUTH CENTRAL PLANNING AND
DEVELOPMENT COMMISSION THROUGH ITS
AGENT, CAPCOG

By:

Betty Voights, Executive Director

Date

ATTEST:

Cheryl Brown, Interim City Secretary

Date: _____

**SCHEDULE A
INTERLOCAL CONTRACT**

South Central Planning and Development Commission and Jurisdiction Government

SOFTWARE AND LICENSE FEE

A. SOFTWARE USE

Licensee use of SCPDC's My Permit Now System, Standard configuration, including the following modules: Permit Management, Plan Review, Inspections, Alerts and functionality that is incorporated into My Permit Now System and not identified as a separate chargeable option. Inspection Anywhere System, Standard Configuration.

B. LICENSE FEE

1. MyPermitNow and Inspection Anywhere:

The following package prices are offered though the initial term of the Agreement. Please fill in below which permit volume package most reasonably fits your anticipated annual permit volume.

Permit Volume	Overage Rate	Permits	MONTHLY RATE		
			Planning & Zoning	Code Enforcement	Addressing / GIS Integration
0 - 100	\$10.00	\$99.00	\$99.00	\$99.00	\$230.00
101 - 500	\$10.00	\$260.42	\$156.25	\$99.00	\$230.00
501 - 1000	\$10.00	\$500.00	\$300.00	\$99.00	\$230.00
1001 - 2000	\$10.00	\$958.33	\$575.00	\$143.75	\$230.00
2001 - 4000	\$10.00	\$1,833.33	\$1,100.00	\$275.00	\$230.00
4001 - 6000	\$10.00	\$2,500.00	\$1,500.00	\$375.00	\$230.00
6001 - 8000	\$10.00	\$3,166.67	\$1,900.00	\$475.00	\$230.00
8001 - 10000	\$10.00	\$3,750.00	\$2,250.00	\$562.50	\$230.00
10001 - 12000	\$10.00	\$4,250.00	\$2,550.00	\$637.50	\$230.00
12001 - 14000	\$10.00	\$4,666.67	\$2,800.00	\$700.00	\$230.00
14001 - 16000	\$10.00	\$5,000.00	\$3,000.00	\$750.00	\$230.00
16001 - 18000	\$10.00	\$5,250.00	\$3,150.00	\$787.50	\$230.00
18001 - 30000	No Overage	\$5,416.67	\$3,250.00	\$812.50	\$230.00

ANNUAL PERMIT VOLUME OVER 30,000 A YEAR MAY REQUIRE A CUSTOM QUOTE.

Licensee has agreed to the 2001-4000 Permit Volume package. It is understood this will be billed on a levelized billing system of **\$3,438.33** monthly. If anytime during a calendar year the total volume of permits exceeds the packages permit volume, Licensee shall pay, in addition to its package Rate Per Permit fee, the Overage Rate shown in the Schedule above. Permit volume packages may be adjusted annually. At the end of a permit volume year if the jurisdiction's permit volume exceeds 20% of the max permit volume number of their currently subscribed package the jurisdiction shall automatically subscribe to the package that the total new permit volume count places them in.

Add on modules of a standard configuration of Planning & Zoning, Solution Center, Addressing / GIS Integration may be activated by request during the term of this Agreement for the monthly rates defined in the rate chart in Schedule A that corresponds to the jurisdictions selected permit

package. In the event the jurisdiction makes a change to the original permit package chosen, the monthly rate shall change to correspond with the rate chart as shown in Schedule A.

Other Fees:

On-Site Visits: Reimbursement of lodging, transportation and meals.

Integration for online credit card or ACH transactions: Existing Credit Card Vendor: \$100.00 one-time fee; New Credit Card Vendor: \$500.00 one-time fee.

Historic Data Imports: Imports requiring 20 hours of staff time or less free of charge. Imports requiring more than 20 hours of analyst time is subject to a custom quote.

Additional Modules:

Reoccurring Septic Permits, Fire Marshal, and Public Works Modules available by custom quote.

SCPDC will invoice Licensee at the beginning of each month. The invoices shall be payable within 30 days of the date of the invoice.

SCHEDULE B
COOPERATIVE ENDEAVOR USE AGREEMENT
South Central Planning and Development Commission and Jurisdiction

**EQUIPMENT SITE, USER NAME, AND
PERSONAL ACCESS PASSWORD**

B.1 The following is the Equipment on which Licensees may use the software:

Restricted to computers used by Licensee's personnel in order to accomplish personnel's job duties via the Internet for access to SCPDC Software, each user having a specially assigned user name and a personal access password.

B.2. At the execution of this Agreement, SCPDC shall provide a USER CREATION form to the Licensee to be used for personnel account creation requests. Upon completion of the forms, Licensee will return the forms to SCPDC or its AGENT and accounts shall be created in the system with information provided on the forms. Users can change the provided password on the form in the software after their first login. The personal user name and personal access password will be maintained in camera and not distributed to the public. Additional personal user names and personal access passwords may be provided upon a written request to SCPDC with the user creation form providing the user name and confirmation that the user is an employee of Licensee is supplied to SCPDC, which will become an addendum to this schedule, such request will not be unreasonably withheld.

SCHEDULE C
COOPERATIVE ENDEAVOR USE AGREEMENT
South Central Planning and Development Commission and Jurisdiction

MAINTENANCE AND SUPPORT

DEFINITIONS

1.1 “SUPPORT CALL (TIER 1)” means a reported problem in the SCPDC Software which is not affecting the Software’s ability to perform substantially in accordance with the user documentation.

1.2 “SUPPORT CALL (TIER 2)” means a reported problem in the SCPDC Software, not considered as a Level I support problem as defined in 1.1 above, which causes serious disruption of a function, however the system is still serving Licensee.

1.3 “SUPPORT CALL (TIER 3)” means a reported problem in the SCPDC Software which causes the system to be down and not serving as designed, or has a significant revenue impact, with no obvious work-around.

1.4 “RESPONSE TIME” means the elapsed time between the receipt of a service call and the time when SCPDC begins the Maintenance and Support, including a verbal or written confirmation to the Licensee thereof.

1.5 “RESPONSE CENTER AND CONTACT PROCEDURE” shall mean:

Address	Hours of Operation
5058 West Main Street	8:00 a.m. to 4:30 p.m.
Houma, LA 70360	

Contact Information

Tel: 1 866 957 3764	E-mail: support@scfdc.org
Ryan Hutchinson,	
Information Technology Administrator	

2. TERM AND TERMINATION. SCPDC’s provision of Maintenance and Support to Licensee will commence on the Effective Date and will continue for an initial term of two (2) years. Maintenance and Support will automatically renew at the end of the initial term and any subsequent term for a renewal term of one (1) year unless Licensee has provided SCPDC with a written termination notice of its intention not to renew the Maintenance and Support at least ninety (90) days prior to the termination expiration of the then-current term. Termination of Maintenance and Support upon failure to renew will not affect the license of the Software.

3. MAINTENANCE AND SUPPORT SERVICES. Maintenance and Support will be provided only with respect to use of the versions of the Software that are being supported by SCPDC. SCPDC will provide multi-site backup of permit issuance data for permits supported by MyPermitNow system. SCPDC will provide 24-hour emergency service support, after hours cell numbers are accessed through the IVR menu, for Licensee’s staff and Licensee’s customers by

SCPDC's technical support personnel. SCPDC will offer to Licensee new versions of MyPermitNow Software as they become available. Upon Licensee's request, SCPDC will attempt, so long as practicable, to convert Licensee's current permit data for use with SCPDC Software. Upon Licensee's request, SCPDC, as long as practicable, will perform regularly scheduled exports of Licensee's permit and inspection data to Licensee's database. Within SCPDC's capabilities, SCPDC will perform customization of SCPDC Software based on Licensee's specific jurisdiction. Whenever possible, SCPDC will provide features in the SCPDC Software allowing Licensee to create and search variances and define relationships between variances and permits. SCPDC will provide remote support for the storage of photos, building/permits documents, inspection reports, plan review files and associated miscellaneous records. Within the capabilities of the SCPDC Software, and upon Licensee's request, SCPDC will provide Licensee with customized reports. Licensee will be expressly forbidden from creating add-ons or feature changes to that version or disclose the source code to any third party.

3.1 LEVELS OF MAINTENANCE AND SUPPORT. Maintenance and Support is available at the following Response Times: (i) Support Call (Tier 3): response time three (3) hours, patch or work-around next day, fixed or documented in next major product release (ii) Support Call (Tier 2): response time six (6) hours, patch or work-around within five days, fixed or documented in next major product release; (iii) Support Call (Tier 1): one (1) business day, problem documented and input for consideration in next major product release.

3.2 BASIC MAINTENANCE. Basic Maintenance means that SCPDC will provide during SCPDC's standard hours of service: (i) Updates and Minor Updates, when and if available, and related on-line Documentation, and (ii) telephone assistance with respect to the use of Software, including (a) clarification of functions and features of the Software; (b) clarification of the Documentation; (c) guidance in the use of the Software; and (d) error verification, analysis and correction to the extent possible by telephone. SCPDC's standard hours of service are Monday through Friday, 8:00 a.m. to 4:30 p.m., CST except for holidays as observed by SCPDC.

3.3 ON-SITE ASSISTANCE. At SCPDC's discretion, SCPDC can decide to provide Maintenance and Support at the Licensee Site. In such event Licensee will reimburse SCPDC for all related traveling expenses and costs for board and lodging.

3.4 CAUSES WHICH ARE NOT ATTRIBUTABLE TO SCPDC. Maintenance and Support will not include services requested as a result of, or with respect to causes which are not attributable to SCPDC Software. These services will be billed to Licensee at SCPDC's then-current rates. Causes which are not attributable to SCPDC include but are not limited to:

3.5.1 Accident. Unusual physical, electrical or electromagnetic stress; neglect; misuse; failure or fluctuation of electric power, air conditioning or humidity control; failure of rotation media not furnished by SCPDC; excessive heating; fire and smoke damage; operation of the Software with other media and hardware, software or telecommunication interfaces not meeting or not maintained in accordance with the manufacturer's specifications; or causes other than ordinary use;

3.5.2 Improper use of the Software that deviates from any operating procedures established by SCPDC in the applicable Documentation;

3.5.3 Modification, alteration or addition or attempted modification, alteration or addition of the Software undertaken by persons other than SCPDC or SCPDC's authorized representatives;

3.5.4 Software programs made by Licensee or other parties.

4. RESPONSIBILITIES OF LICENSEE. SCPDC's provision of Maintenance and Support to Licensee is subject to the following:

4.1 Licensee shall provide SCPDC with access to Licensee's personnel and Equipment during normal business hours. This access must include the ability to dial-in to the Equipment on which the Software is operating and to obtain the level of access necessary to support the Software.

4.2 Licensee shall provide supervision, control and management of the Use of the Software. In addition, Licensee shall implement procedures for the protection of information and the implementation of backup facilities in the event of errors or malfunction of the Software or Equipment.

4.3 Licensee shall document and promptly report all errors or malfunctions of the Software to SCPDC. Licensee shall take all steps necessary to carry out procedures for the rectification of errors or malfunctions within a reasonable time after such procedures have been received from SCPDC.

4.4 Licensee shall maintain a current backup copy of all records and transactions using the SCPDC Software.

4.5 Licensee shall properly train its personnel in the Use and application of the Software and the Equipment on which it is used.

5. MAINTENANCE FEE. For Jurisdiction the maintenance fees are waived and the license fees cover all costs for maintenance and support for the terms of this Agreement.

6. ASSIGNMENT OF DUTIES. SCPDC may assign its duties of Maintenance and Support to a third party, provided that SCPDC will remain responsible for the actions of such third party. Any such assignment is subject to Licensee's consent, which consent shall not be unreasonably withheld or delayed.

7. Project Abandonment – Should SCPDC abandon development and support of My Permit Now system and can no longer fulfill its contractual obligations pursuant to this Agreement, the last stable source code release of My Permit Now Software will be licensed to Licensee under an open source license agreement such as for instance GNU. The specific open source license agreement would be chosen by SCPDC at such time.

8. Licensee data - Upon Licensee's written request, SCPDC agrees to provide all hosted Licensee data to the Licensee electronically once a calendar year in either the existing database format or CSV format. Upon Licensee request, these transfers can be automated to take place on a regular schedule. SCPDC will not be held liable if technical issues disrupt the automatic scheduling of a data transfer. SCPDC will take all reasonable care to safeguard and protect the Licensee's data. Licensee expressly agrees to maintain on its site and under its care a current copy of Licensee's permitting data.

9. Role of Agent – The Agent has no obligations or liabilities to the Licensee implied or written in the Agreement. The agent's responsibilities and obligations are to SCPDC only and defined

specifically in a separate agreement between SCPDC and the AGENT, hereinafter referred to as "CAPCOG". The SCPDC and CAPCOG agreement may provide additional services to the licensee which could include but not limited to onsite representation, support issue mediation and marketing material distribution.

Accepted:

CITY OF KERRVILLE, TEXAS

By: Mark McDaniel, City Manager

Date: _____

Witness

Date: _____

South Central Planning and Development Commission,
Through its agent, CAPCOG

By: Betty Voights, Executive Director

Date: _____



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Amendments to Chapter 18 "Animals" of the Code of Ordinances

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 11/7/2018

SUBMITTED BY: Councilmember Baroody

EXHIBITS: Current Chapter 18-37 "Impoundment", and 18-72 "Restraining of animals" from the Code of Ordinances.

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
N/A	N/A	N/A	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	Yes: <input type="checkbox"/>	No:
Key Priority Area	N/A	
Guiding Principle	N/A	
Action Item	N/A	

SUMMARY STATEMENT:

This item was requested by Councilmember Baroody

RECOMMENDED ACTION:

City of Kerrville Animal Services

Wednesday, November 07, 2018

9:00 AM

Remove the following from the Charter, Chapter 18-Animals to allow enforceability of interlocal agreement.

Sec. 18-37. - Impoundment.

The agents of the animal control department are authorized to take up all dogs, cats or any animal not kept in conformity with this section, or any other animal which constitutes a public nuisance.

(1) *Vaccinated dogs or cats.*

- a. *Period of confinement.* A vaccinated dog or cat impounded shall be confined in a humane manner for a period of not less than three working days.
- b. *Notice.* Upon impounding a dog or cat found with current vaccination tags, the agent of the animal control department shall make a reasonable effort to notify the owner his animal has been impounded and the conditions whereby he may regain custody of such animal.

(2) *Unvaccinated dogs or cats.* Dogs or cats impounded without a vaccination tag shall become the property of the animal control department after the expiration of two working days. If unclaimed and unredeemed thereafter, they may be disposed of in a humane manner.(3) *Redemption; impounded animals.*

- a. *Compliance required.* The owner shall be entitled to resume the possession of any impounded animal (except as provided in this section in the case of certain dogs or cats), upon compliance with the registration and vaccination provisions hereof and the payment of appropriate fees.
- b. *Unvaccinated animals.* Any animal over the age of four months which does not have a current rabies vaccination may not be redeemed until provisions have been made for vaccination.

(4) *Fees.* Any animal impounded under this chapter may be redeemed upon payment by the owner or person taking custody through purchase or adoption of the following fees:a. *Impoundment.*

1. Dogs/cats, unregistered and unaltered \$25.00
2. Dogs/cats, unregistered and altered 15.00
3. Dogs/cats, registered and unaltered 10.00

4. Dogs/cats, registered and altered 5.00
5. Livestock 50.00

b. *Board.*

1. Dogs/cats \$ 5.00/day
2. Livestock 10.00/day

c. *Rabies.* All charges for rabies vaccination if not currently vaccinated.

d. *Registration* 4.00

The fees and charges set forth and/or established in this section may be changed and amended, from time to time, by resolution of the city council.

(5) *Donated and unclaimed impounded animals.* Donated and unclaimed impounded animals shall become the property of the animal control department or city animal shelter which shall then have the following powers:

- a. *Authority to transfer title.* The animal control department may transfer title. If the title is transferred, the person or agency to whom title is transferred shall pay for such animal's food and care while impounded and shall comply with the applicable vaccination provisions.
- b. *Right to destroy.* The animal control department may humanely destroy any animal.
- c. *Custody by responsible and suitable person.* The animal control department may place any animal held at its animal shelter in the custody of some person deemed to be a responsible and suitable owner who will agree to comply with the provisions of this chapter.
- d. *Donated, sick, or injured dogs and cats.* The animal control department may destroy an animal in a humane method if it has been donated to the shelter with the request that it be destroyed, or if the animal is so sick or injured that its cure is considered by the animal control department to be impractical or if death is imminent; in either of such events, such destruction may be done immediately without notice or any waiting period.

(Code 1968, art. 10-I-3(b)(7))

Sec. 18-72. - Restraining of animals.

Every person who owns, keeps or is in charge of a dog or other animal, shall restrain his dog or animal at all times, except this section shall not apply to cats.

(Code 1968, art. 10-I-3(c)(2))



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Amendment to the City's purchasing policy to prohibit award of a contract to any person or entity who is being investigated for, or has been convicted of, a felony.

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 10/30/2018

SUBMITTED BY: Councilmember Baroody

EXHIBITS: Proposed amendment and existing purchasing policy.

Expenditure Required: \$0	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item? Key Priority Area Guiding Principle Action Item	Yes: <input type="checkbox"/>	No:
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SUMMARY STATEMENT:

This item was requested by Councilmember Baroody.

RECOMMENDED ACTION:

Purchasing Policy

Wednesday, November 07, 2018

9:00 AM

Section 11 - Ethics Requirements

11.1 City Policies

Add a new item:

- F. The City will not enter into a contract or funding agreement with any vendor (to cover its principals and investors) which has been convicted, or is under investigation for a felony.



PURCHASING POLICY

- E. **Termination or Transfer of Employee.** When an employee who has been issued a P-card terminates from City employment or transfers from a Department, the Department Director should notify the Finance Coordinator of the change immediately. The employee's P-card approver will be responsible for a final reconciliation of the employee's P-card account.
- F. **Loss of P-card.** A P-card holder must report a lost P-card immediately but in any event, within one business day of discovered loss. The City may hold an employee liable for any losses not covered by the protection plan. The City may also hold an employee responsible for the cost of a replacement card.
- G. **Travel Expenses.** All travel expenses paid for using a P-card must be documented in accordance with the City's Travel Policy.

9.3 Petty Cash

A Department may submit a request for petty cash to the Finance Department. The request and disbursement must not exceed \$100.00. If cash payment is necessary due to unforeseeable circumstances, the Finance Director may approve expenditure over the \$100.00 limit.

- A. **Maintaining Petty Cash** Petty cash vouchers, receipts, and cash on hand should equal the total amount authorized for the petty cash fund. The Finance Department will issue a petty cash voucher to a Department at the time money is advanced for an employee to make purchases on the City's behalf. The sales receipt must be attached to the petty cash voucher after the purchase. The petty cash voucher should include the amount and description of the expenditure, the expense account number, and be signed and dated by the recipient the Department. Vouchers may not be used as a substitute for a sales receipt. If a Department maintains a departmental petty cash, the Department should turn in petty cash vouchers with receipts attached to the Finance Department to exchange for cash in reimbursing the departmental petty cash.
- B. **Petty Cash Audits** The Finance Department will periodically audit petty cash funds to verify the custodian is compliant with the petty cash policies and procedures.

10. DISPOSAL OF SURPLUS PROPERTY

All Departments shall review their assets and supplies each year and determine whether any items are no longer needed. A Department shall submit a list of any surplus, obsolete, or unused supplies, materials or equipment to Finance, including a description, make, model, and serial number, if applicable. Finance, in coordination with a Department, may transfer items between Departments based upon needs. Where equipment or durable goods are deemed to be surplus, obsolete, or unused, Finance may attempt to sell the property using an online auction or competitive bid. In addition, property can be traded in toward the purchase of new property. Proceeds received will be credited to the fund that owned the property. When an asset has been sold, it will be removed from the fixed asset register.

11. ETHICS REQUIREMENTS

11.1 City Policies

The City demands the highest ethical standards of conduct from its employees and from vendors or contractors dealing with the City. City employees engaged in purchasing must comply with the following ethical standards:



PURCHASING POLICY

- A. **Gratuities.** Certain kinds of conduct such as offering gifts, gratuities, or discounts to City employees to influence their decisions in the purchasing process are expressly prohibited. The City may reject a bid or cancel a contract without liability if it is determined by the City that gratuities were offered or given by a vendor or contractor, or an agent or representative of the vendor or contractor, to any officer or employee of the City with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such a contract. In the event a contract is cancelled by the City pursuant to this provision, the City will be entitled, in addition to any other rights and remedies, to recover and withhold the amount of the cost incurred by the vendor or contractor in providing such gratuities.
- B. **Confidential information.** It is a violation of City policy for any employee to use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.
- C. **Purchase of materials, equipment, and supplies for personal use.** Employees may only purchase City property for personal use if purchased through the City's normal disposal of surplus property procedures including public or online auction.
- D. **Purchases for personal, private use.** Employees may not use the purchasing power of the City to make purchases for personal, private use.
- E. **Travel, meals, and other expenses paid by vendor or contractor.** Travel costs to a vendor's or contractor's site shall be paid by the vendor or contractor only if the bid or proposal solicitation states that such visits would be at the vendor's or contractor's expense. The City will pay all other travel costs.

11.2 State Requirements

City officials and employees must comply with various state laws with respect to purchasing. The following provides a summary and the general requirements of the laws:

A. Chapter 171, Texas Local Gov't Code.

Chapter 171 of the Texas Local Government Code regulates a local public official's conflicts of interest. The law defines "local public official" as an elected official, such as a Councilmember, or an appointed official (paid or unpaid) who exercises responsibilities that are more than advisory in nature.

1. The law prohibits a local public official from voting or participating in any matter involving a business entity or real property in which the official has a substantial interest if an action on the matter will result in a special economic effect on the business that is distinguishable from the effect on the public or, in the case of a substantial interest in real property, it is reasonably foreseeable that the action will have a special economic effect on the value of the property, distinguishable from its effect on the public.
2. A local public official who has such interest is required to file, before a vote or decision on any matter involving the business entity or real property, an affidavit with City Secretary, stating the nature and extent of the interest.
3. A local public official is required to abstain from participating in the matter.
4. A local public official who is required to file an affidavit is not required to abstain from participating in the matter if a majority of the members of the governing body have a substantial interest and file affidavits of similar interests on the same official matter.

B. Chapter 176, Texas Local Gov't Code.

Chapter 176 of the Texas Local Government Code is a related ethics law.



**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Financial update for Fiscal Year 2018, which ended September 30, 2018.

AGENDA DATE OF: 11/13/2018

DATE SUBMITTED: 11/8/2018

SUBMITTED BY: Amy Dozier, CFO

EXHIBITS: September 2018 financial summary

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
N/A	N/A	N/A	N/A
PAYMENT TO BE MADE TO: n/a			
Kerrville 2050 Item?	Yes: <input type="checkbox"/>		No:
Key Priority Area	N/A		
Guiding Principle	N/A		
Action Item	N/A		

SUMMARY STATEMENT:

General Fund

Year to date through September 30, 2018, the General Fund has recorded revenues of \$27.3 million compared to expenditures of \$27.4 million. Notable activity includes:

1. Sales tax ended the year \$61K short of budget and up 3.6% compared to FY2017. On a cash basis, September sales tax was up 6.4% compared to September 2017. The increase was driven by a 5.5% increase in retail sales and a large increase in public administration due to a timing difference in KPUB's payment. FY2019's budget is 2.2% higher than FY2018 actual.
2. In September, the City recorded a \$254K revenue from the Ambulance Supplemental Payment Program. This revenue was budgeted for FY2019, but it was received earlier than expected. The City intends to apply for the supplemental payment again in FY2019, but depending on the availability of funding and the timing of the payment, the City may or may not receive another payment in FY2019.
3. Parks and Recreation revenue ended the year \$79K better than budget primarily due to high occupancy rates at Kerrville-Schreiner Park.
4. Permit revenue ended the year \$107K better than budget primarily due to building permits.
5. Interest revenue ended the year \$110K better than budget due to rising interest rates and proactive investment management.
6. Expenditures are lower than budget primarily due to staffing vacancies.

Water and Sewer Fund

Year to date through September 30, 2018, the Water and Sewer Fund received revenues of \$12.5 million compared to expenditures of \$11.6 million. Notable activity includes:

1. Water sales had been trending higher than budget, but ended the year below budget due to large rainfall amounts received in September 2018.
2. Residential sewer average gallons declined slightly from FY2017 to FY2018 due to water conservation during the sewer averaging period, causing revenue to fall short of budget for the year.
3. FY2018 other revenue contains a \$415K transfer in related to the December 2017 debt refinancing.
4. Water and Sewer expenditures are lower than budget due to a reduced transfer to debt service because of the December 2017 refinancing as well as savings in multiple areas including chemicals, electricity, maintenance and overtime.

RECOMMENDED ACTION:

Information only; no action required.

City of Kerrville
Financial Summary
For the Month Ended September 30, 2018

Fund	Year to Date	Year to Date	Better /	Year to Date	Change from	Variance
	FY2018 Actual	FY2018 Budget	(Worse) than Budget	FY2017 Actual		
General Fund						
Revenues						
Property Tax	\$ 9,422,167	\$ 9,439,359	\$ (17,193)	\$ 9,334,622	\$ 87,544	
Sales Tax	6,899,129	6,960,601	(61,472)	6,721,841	177,289	note A
Other Revenue	10,991,059	10,358,427	632,631	12,344,681	(1,353,623)	note B
Total Revenue	27,312,355	26,758,388	553,967	28,401,144	(1,088,789)	
Expenditures	27,356,625	27,663,986	307,360	28,296,913	(940,288)	note C
Net	(44,271)	(905,598)	861,327	104,230	(148,501)	
Water and Sewer Fund						
Revenues						
Water Sales	5,750,069	5,808,929	(58,860)	5,755,002	(4,933)	note D
Sewer Sales	5,357,415	5,608,764	(251,349)	5,338,454	18,961	note E
Reuse	72,528	117,462	(44,934)	75,773	(3,244)	
Other Revenue	1,283,399	1,144,922	138,477	711,996	571,403	note F
Total Revenue	12,463,411	12,680,077	(216,667)	11,881,224	582,187	
Expenditures	11,615,457	12,265,455	649,998	11,646,854	(31,396)	note G
Net	847,954	414,622	433,332	234,370	613,584	
Golf Fund						
Revenues	1,135,134	1,202,847	(67,713)	863,694	271,440	note H
Expenditures	940,283	1,004,287	64,004	954,219	(13,936)	
Net	194,851	198,560	(3,709)	(90,525)	285,376	
Hotel Occupancy Tax Fund						
Revenues	1,348,709	1,205,000	143,709	1,225,895	122,814	
Expenditures	1,090,707	1,175,200	84,493	1,012,700	78,007	
Net	\$ 258,002	\$ 29,800	\$ 228,202	\$ 213,195	\$ 44,807	

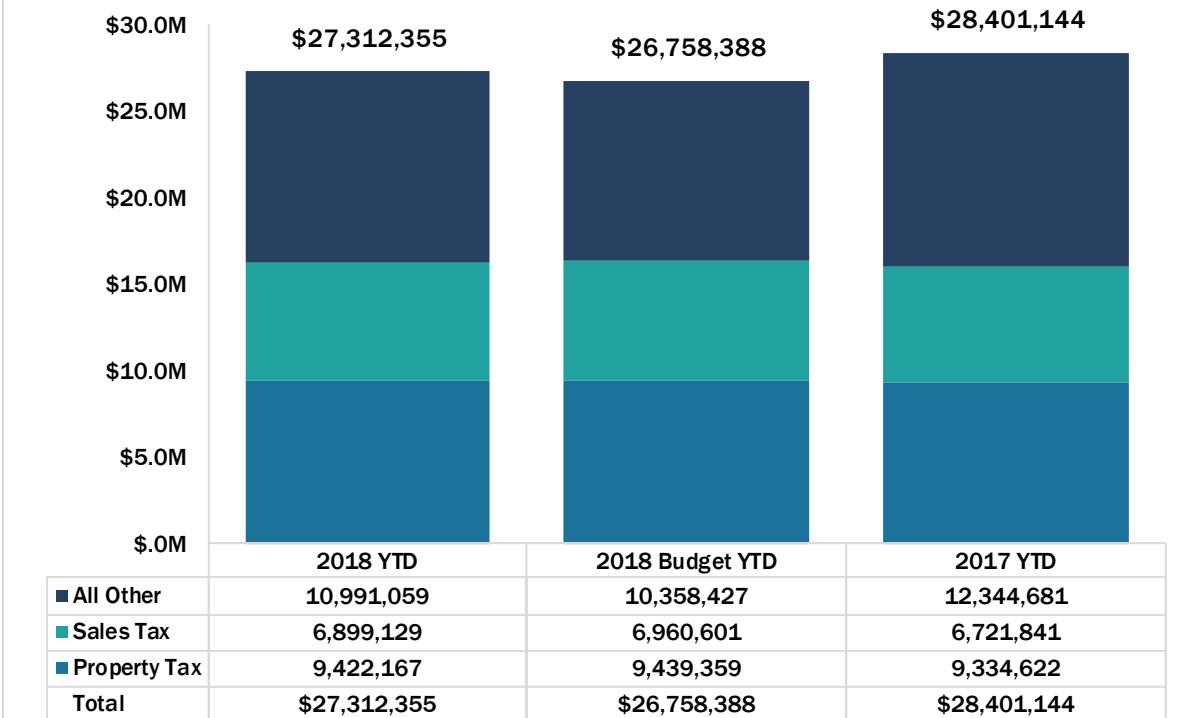
Notes:

- A. **Sales Tax** - Sales tax ended the year \$61K short of budget and up 3.6% compared to FY2017. On a cash basis, September sales tax was up 6.4% compared to September 2017. The increase was driven by a 5.5% increase in retail sales and a large increase in public administration due to a timing difference in KPUB's payment. FY2019's budget is 2.2% higher than FY2018 actual.
- B. **Other Revenue** - FY2017 had a \$2.0 million transfer in related to a capital project that did not recur. Notable activity for FY2018 includes:
 - * \$254K Ambulance Supplement payment that was budgeted for FY2019
 - * Parks and Recreation revenue - \$79K better than budget for the year due primarily to KSP
 - * Permit revenue - \$107K better than budget due primarily to building permits
 - * Interest revenue - \$110K better than budget due to rising interest rates and proactive management
- C. **General Fund Expenditures** - FY2018 expenditures are lower than budget primarily due to staffing vacancies. FY2018 includes the \$900K fund balance transfer approved by Council last month. FY2018 expenditures are lower than FY2017 due to a \$2.0 million capital project transfer in FY2017.
- D. **Water Sales** - Water sales had been trending higher than budget, but ended the year under budget due to large rainfall amounts in September 2018.
- E. **Sewer sales** - Residential sewer average gallons declined slightly from FY2017 to FY2018 due to water conservation during the sewer averaging period, causing revenues to fall short of budget.
- F. **Water and Sewer Other Revenue** - FY2018 contains a \$415K transfer in related to the debt refinancing.
- G. **Water and Sewer Expenditures** - FY2018 expenditures are lower than budget due to a reduced debt service transfer because of the December 2017 refinancing and savings in multiple areas including chemicals, electricity, maintenance and overtime.
- H. **Golf Fund Revenue** - FY2018 revenue includes a \$280K transfer from General Fund.

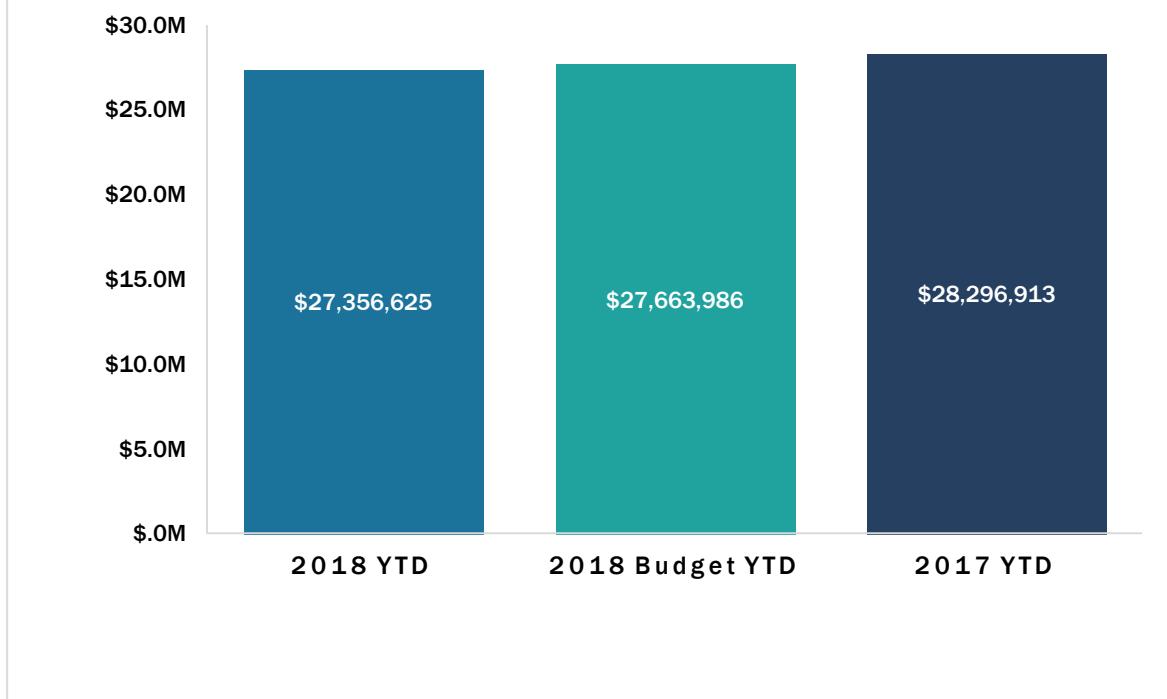
Note: Expenditures above are presented on a cash basis for consistency with the budgeting basis. CAFR statements are presented on an accrual or modified accrual basis in accordance with accounting standards.

City of Kerrville
Financial Summary
For the Month Ended September 30, 2018

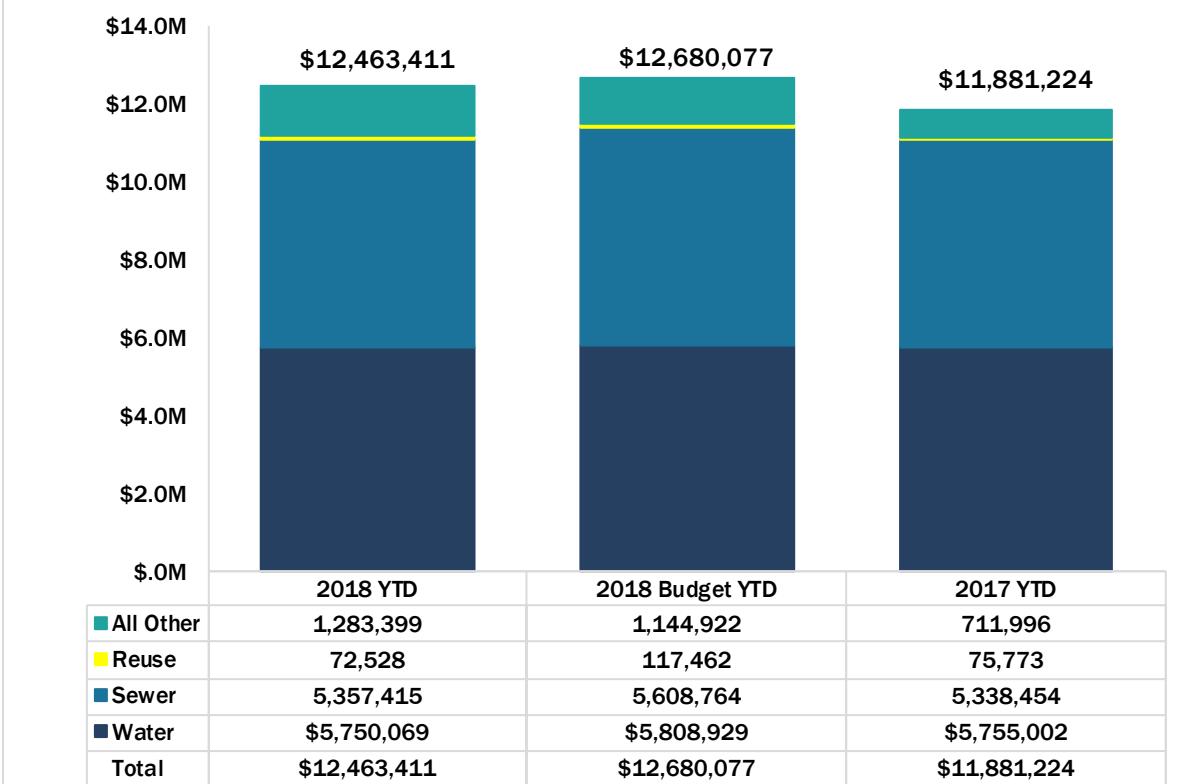
General Fund Revenues



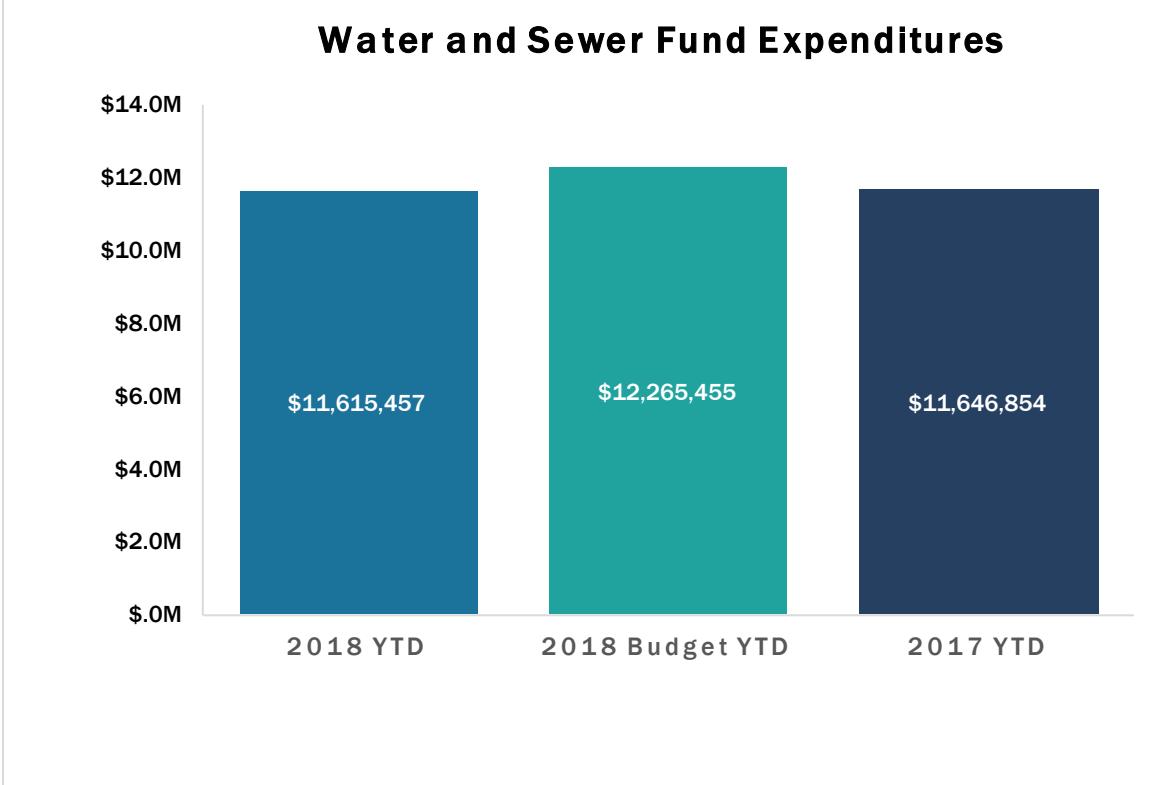
General Fund Expenditures



Water and Sewer Fund Revenues



Water and Sewer Fund Expenditures





**TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS**

SUBJECT: Report on status of flood damage assessment at reuse line bridge structure located near Loop 534 bridge.

AGENDA DATE OF: 11/13/2018 **DATE SUBMITTED:** 11/8/2018

SUBMITTED BY: E.A. Hoppe
Deputy City Manager

EXHIBITS: None

Expenditure Required: N/A	Current Balance in Account: N/A	Amount Budgeted: N/A	Account Number: N/A
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PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item? Key Priority Area Guiding Principle Action Item	Yes: <input type="checkbox"/>	No:
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SUMMARY STATEMENT:

A presentation will be provided regarding the status of flood damage assessment at reuse line bridge structure located near Loop 534 bridge.

RECOMMENDED ACTION:

None, information only.