

AGENDA FOR THE KERRVILLE CITY COUNCIL MEETING

TUESDAY, AUGUST 24, 2021, 6:00 P.M.

CITY HALL COUNCIL CHAMBERS

701 MAIN STREET, KERRVILLE, TEXAS

The Community Vision

Kerrville will be a vibrant, welcoming and inclusive community that:

- *Respects and protects the natural environment that surrounds it;*
- *Seeks to attract economic growth and development;*
- *Provides opportunities for prosperity, personal enrichment and intellectual growth for people of all ages; and*
- *Does so while preserving the small-town charm, heritage, arts and culture of the community.*



Kerrville2050



CITY COUNCIL AGENDA
AUGUST 24, 2021, 6:00 PM
CITY HALL COUNCIL CHAMBERS
701 MAIN STREET, KERRVILLE, TEXAS



**Council Meeting Procedures, City Council and City Staff Safety Measures,
and Citizen Participation Guidelines**

COVID-19 (Coronavirus) provides a unique concern in that gathering members of the public, City Council, and City staff within a physical setting constitutes a public health risk. On March 16, 2020, the Texas Governor suspended certain requirements of the Open Meetings Act to permit open meetings to occur in a fully, or partially, virtual setting (telephonic/videoconference).

Due to the recent increase of Coronavirus (Covid-19) positive cases in Kerr County, standard safety protocols will be observed by City Council, City staff, and citizens/visitors attending the workshop. Masks are voluntary and highly encouraged. Six-foot distance seating will be observed and visitor seating will be designated. Visitor overflow will be in the City Hall lobby, where social distancing will also be observed.

The Zoom platform will also be active during this meeting.

Instructions for Zoom callers: The Zoom moderator will open Zoom and begin accepting calls at 5:15 pm. The deadline to call in and register to participate is 5:45 pm. Calls made after the 5:45 pm deadline will not be accepted. Each caller registered to participate is limited to four minutes of speaking time. Dial the toll free number: **1-877-853-5247**. The Zoom back-up number is **1-888-788-0099**. When your call is answered you will hear "**Welcome to Zoom, enter your Meeting ID followed by pound**". Enter in the Meeting ID below followed by the pound sign (#), when prompted enter the meeting passcode.

The Meeting ID is **869 4550 6849#** Passcode is **546839**.

Once registered, a caller's microphone will be placed on mute and the call will be placed in the call queue. The caller will not hear a sound and should not hang up. Once the meeting has started, the caller will be able to listen to proceedings even though muted.

Note: Zoom is a third party vendor which provides the ability for remote participation. If the City is notified of any issues from the third party vendor, the City will notify citizens and provide alternatives for engagement and participation.

Citizens may view and hear City Council workshops on Spectrum Channel 2 or by live-streaming via the City's website (www.kerrvilletx.gov). City Council workshops are recorded and the recordings are posted on the City's website.

Written comments will be accepted for any agenda items. Comments must include a person's first and last name, address, and identify the item for comment. Written comments may be emailed to **shelley.mcelhannon@kerrvilletx.gov** and must be received by 4:00 p.m. the afternoon of the Council meeting. In addition, anyone may email Councilmembers via their City email addresses as specified on the City's website.

Thank you for your participation!



CITY COUNCIL AGENDA
AUGUST 24, 2021, 6:00 PM
CITY HALL COUNCIL CHAMBERS
701 MAIN STREET, KERRVILLE, TEXAS



CALL TO ORDER:

INVOCATION AND PLEDGE OF ALLEGIANCE:

Led by Councilmember Brenda Hughes.

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. The speaker request form must be submitted to the City Secretary before the item is called or read into record. City Council may not discuss or take any action on an item but may place the issue on a future agenda. 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. Construction Agreement with Eveready Electric for the Tranquility Island "Light the Island" project in the amount of \$114,640.03.
Attachments:
[20210824_Bid_Light the Island.pdf](#)
-  3.B. Construction Agreement with M&C Fonseca Construction Co., Inc. for Butt-Holdsworth Memorial Library Campus Stair Replacement project, in the amount of \$369,730.00.
Attachments:
[20210810_Bid_BHML Stair Replacement_Received Bids.pdf](#)
- 3.C. Rejection of all bids for Butt-Holdsworth Memorial Library HVAC & Lighting Replacement project.
Attachments:
[20210824_Bid_BHML HVAC & Lighting.pdf](#)
- 3.D. Construction Agreement with Trade-Mark-Brown Inc. for the Butt-Holdsworth Memorial Library HVAC Replacement in the amount of \$283,200.00.
-  3.E. Annual Kerrville Economic Improvement Corporation budget for Fiscal Year 2022.
Attachments:
[20210824_Budget_EIC FY2022 Budget.pdf](#)
- 3.F. Administrative Services Contract between City of Kerrville, Texas and City of Kerrville, Texas Economic Improvement Corporation.
Attachments:
[20210824_Contract Administrative Services EIC.pdf](#)

3.G. City of Kerrville Funding Agreement with Kerr Economic Development Corporation.

Attachments:

[20210824_Contract_KEDC Funding Agreement.pdf](#)

3.H. Minutes for the City Council workshop held August 10, 2021.

Attachments:

[20210824_Minutes_City Council workshop 8-10-21 4pm.pdf](#)

3.I. Minutes for the City Council meeting held August 10, 2021.

Attachments:

[20210824_Minutes_City Council meeting 8-10-21 6pm.pdf](#)

3.J. Minutes for the City Council workshop held August 17, 2021.

Attachments:

[20210824_Minutes_Council workshop 8-17-21 10am.pdf](#)

END OF CONSENT AGENDA.

4 PUBLIC HEARING AND ORDINANCES, FIRST READING:

4.A. ORDINANCE 2021-22. AN ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF UP TO \$7,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF "CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021"; 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 OFFICIAL STATEMENT AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO (THE CITY HAS RECEIVED A PETITION PROTESTING THE ISSUANCE OF THE CERTIFICATES OF OBLIGATION AND IS CURRENTLY IN THE PROCESS OF CERTIFYING THE SIGNATURES THERETO. THIS ORDINANCE SHALL NOT BE APPROVED IF THE CITY SECRETARY CERTIFIES THAT THE PETITION PROTESTING THE ISSUANCE OF THE CERTIFICATES WAS PROPERTLY SIGNED BY AT LEAST FIVE PERCENT OF THE QUALIFIED ELECTORS OF THE CITY.)

Attachments:

[20210824_Certificates of Obligation Series 2021.pdf](#)

5 ORDINANCE, FIRST READING:

5.A. Ordinance No. 2021-23: An Ordinance authorizing the issuance of \$865,000 in principal amount of City of Kerrville, Texas Texas Tax Note, Series 2021; securing the payment thereof by authorizing the levy of an Annual Ad Valorem Tax; and approving and authorizing the execution of a Paying Agent/Registrar Agreement, a purchase letter, and all other instruments and procedures related thereto.

Attachments:

[20210824_Tax Note Ordinance.pdf](#)

6 PUBLIC HEARING AND ORDINANCES, FIRST READING:

6.A. Ordinance No. 2021-20. An Ordinance adopting the annual budget for the City of Kerrville, Texas, Fiscal Year 2022; providing appropriations for each city department and fund; containing a cumulative clause; and containing a savings and severability clause.

Attachments:

[20210824_Ordinance 2021-20 Annual Budget FY22.pdf](#)

6.B. Ordinance No. 2021-21. An Ordinance levying an Ad Valorem Tax for the use and the support of the Municipal Government for the City of Kerrville, Texas, for the Fiscal Year 2022; providing for apportioning each levy for specific purposes; and providing when taxes shall become due and when the same shall become delinquent if not paid.

Attachments:

[20210824_Ordinance 2021-21 Ad Valorem Tax.pdf](#)

7 ORDINANCES, SECOND READING:

7.A. Ordinance No. 2021-18, second reading. An Ordinance amending Chapter 60, Code of Ordinances, City of Kerrville, Texas; Chapter 60 more commonly known as the City's Zoning Code; by changing the zoning of a property known as 3210 Riverside Drive and out of the Wallace Survey No. 112, Abstract No. 360, and within the City of Kerrville, Kerr County, Texas; from a Single-Family Residential Zoning District (R-1) to a General Commercial Zoning District (C-3); providing a cumulative clause; providing for severability; providing an effective date; and ordering publication.

Attachments:

[20210824_Ordinance 2021-18 Zone change 3210 Riverside second reading.pdf](#)

7.B. Ordinance No. 2021-19, second reading. An Ordinance amending Chapter 60 of the Code of Ordinances, City of Kerrville, Texas, such chapter more commonly known as the City's Zoning Code; by changing the zoning of a property known as 501 Florence; consisting of Lot 19 and part of Lot 20, Block 25, Westland Place; within the City of Kerrville, Kerr County, Texas; from a Residential Transition Zoning District (RT) to a Neighborhood Commercial Zoning District (C-1); providing a cumulative clause; providing for severability; providing an effective date; ordering publication; and providing other matters relating to the subject.

Attachments:

[20210824_Ordinance 2019-19 Zone change 501 Florence second reading.pdf](#)

8 CONSIDERATION AND POSSIBLE ACTION:

8.A. Resolution No. 38-2021. A Resolution approving negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corp., regarding the Company's 2021 Rate Review Mechanism Filing.

Attachments:

[20210824_Resolution_38-2021 Atmos Energy 2021 RRM.pdf](#)

8.B. City's ongoing preparedness and response to COVID-19 (Coronavirus); and Declaration of local state of disaster due to a public health emergency, Review of Declaration of local state of disaster due to a public health emergency, March 20, 2020.

Attachments:

[20200922_Resolution_16-2020 Extending Mayor's Disaster Declaration Covid-19 7-28-20.pdf](#)

9 ITEMS FOR FUTURE AGENDAS:

City Council may suggest items or topics for future agendas.

10 EXECUTIVE SESSION:

City Council may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above 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.

11 ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION, IF ANY:

ADJOURN.



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

SUBJECT: Construction Agreement with Eveready Electric for the Tranquility Island "Light the Island" project in the amount of \$114,640.03.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Jul 30, 2021

SUBMITTED BY: Kyle Burow

EXHIBITS: [20210824_Bid_Light the Island.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
\$114,640.03	\$190,421.28	\$200,000.00	70-21008

PAYMENT TO BE MADE TO: Eveready Electric

Kerrville 2050 Item?	Yes
Key Priority Area	P - Parks / Open Space / River Corridor
Guiding Principle	P5. Focus on enhancing/investing in existing parks, their purpose or repurpose and improving accessibility before acquiring land for new parks
Action Item	P5.14 - Increase programming at Louise Hayes/Lehmann-Monroe Parks (i.e., concerts, crafts or food, etc.)

SUMMARY STATEMENT:

In March 2021, the Economic Improvement Corporation (EIC), Kerrville Christmas Lighting Corporation (KCLC), and the City of Kerrville entered into a funding agreement for electrical improvements on Tranquility Island. The City consulted ESA Mechanical to provide construction documents to include the resizing of the existing electrical service and replacement of equipment on the Butt-Holdsworth Memorial Library campus currently feeding the island and extending electrical circuits for tree lighting and power decorative features. As part of the design process, the project was split to accommodate current increases in pricing to ensure infrastructure would be installed prior to the this year's holiday season. The project was placed for advertisement, the bid opening was held online and two bids were received, with Eveready Electric as the apparent low base bid. Staff evaluated the bid and recommend awarding the base bid for a total contract amount of \$114,640.03 to Eveready Electric.

RECOMMENDED ACTION:

Authorize the City Manager to finalize and execute a construction contract.

APPARENT LOW BIDDERS**City of Kerrville Light the Island Project**

ID: 20076

Bid Summary	
Engineers Estimate	No Estimate
Total Bids	2
AMLT \$	\$91,709.97
AMLT %	80.00%
Average Bid	\$160,495.02

	Bidder	BASE BID	ALTERNATE 1
1	Eveready Electric <i>Submitted: 8/10/2021 2:52:33 PM</i>	\$114,640.03	\$0.00
2	Pucek Electric, LLC. <i>Submitted: 8/10/2021 2:09:21 PM</i>	\$206,350.00	\$239,705.00

Bids opened at: 8/10/2021 3:01:28 PM



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

SUBJECT: Construction Agreement with M&C Fonseca Construction Co., Inc. for Butt-Holdsworth Memorial Library Campus Stair Replacement project, in the amount of \$369,730.00.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Jul 16, 2021

SUBMITTED BY: Kyle Burow

EXHIBITS: [20210810_Bid_BHML Stair Replacement_Received Bids.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
\$369,730.00	\$468,980.00	\$500,000.00	15-21002

PAYMENT TO BE MADE TO: M&C Fonseca Construction Co., Inc.

Kerrville 2050 Item?	Yes
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	F1.1 - Update the City's facilities and space needs plan

SUMMARY STATEMENT:

In 2020, various storms caused significant damage to the existing wood stair system joining the Butt-Holdsworth Memorial Library (BHML) campus to Tranquility Island and the Louise Hays Park. The City consulted Lonestar Structural, LLC to assist in compiling construction documents for the replacement of the existing wood stairs. The project will consist of the construction of an ADA accessible concrete ramp system and ADA approved railing system to upgrade public access from the BHML campus and Downtown amenities to Tranquility Island and Louise Hays Park. The project will also allow provide ADA access for any future River Trail expansion in the Downtown area. The project was placed for advertisement, the bid opening was held online and three bids were received, with M&C Fonseca Construction Co., Inc. as the apparent low bid. Staff evaluated the contractor based on prior experience on City of Kerrville projects and recommend awarding the base bid for a total contract amount of \$369,730.00 to M&C Fonseca Construction Co., Inc.

RECOMMENDED ACTION:

Authorize the City Manager to finalize and execute a construction contract.

APPARENT LOW BIDDERS**City of Kerrville Library Ramps**

ID: 20-012

Bid Summary	
Engineers Estimate	No Estimate
Total Bids	3
AMLT \$	\$618,027.35
AMLT %	167.16%
Average Bid	\$797,869.12

	Bidder	Base Bid
1	M & C FONSECA CONSTRUCTION CO.INC <i>Submitted: 8/03/2021 2:18:03 PM</i>	\$369,730.00
2	Myers Concrete Construction, LP <i>Submitted: 8/03/2021 1:05:31 PM</i>	\$1,036,120.00
3	JK Bernhard Construction <i>Submitted: 8/03/2021 12:54:36 PM</i>	\$987,757.35

Bids opened at: 8/03/2021 3:01:49 PM



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

SUBJECT: Rejection of all bids for Butt-Holdsworth Memorial Library HVAC & Lighting Replacement project.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 13, 2021

SUBMITTED BY: Kyle Burow

EXHIBITS: [20210824_Bid_BHML HVAC & Lighting.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
N/A	\$0	\$0	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item? No

Key Priority Area

Guiding Principle

Action Item

SUMMARY STATEMENT:

As part of the adopted FY2021 budget, the City consulted ESA Mechanical to assist in the replacement of the existing lighting equipment and antiquated HVAC systems in the Butt-Holdsworth Memorial Library (BHML) building. The consultant evaluated the existing HVAC system in addition to the results from an air audit performed by a third party in the summer of 2020 to identify deficiencies. The consultant completed its HVAC system analysis to incorporate the proposed lighting changes from fluorescent to LED light fixtures. The project was placed for advertisement, the bid opening was held and four bids were received. After review of the bids submitted, the two lowest bids were deemed incomplete as a result of bidders not appropriating costs for all elements of the project. The third bid was inclusive of all bidding components, but over budget, therefore, staff recommends rejecting all received bids for the BHML HVAC & Lighting project as identified.

RECOMMENDED ACTION:

Reject bids received.

APPARENT LOW BIDDERS

Butt-Holdsworth Memorial Library HVAC & Lighting Replacement Project

ID: 19079

Bid Summary	
Engineers Estimate	No Estimate
Total Bids	4
AMLT \$	\$27,300.00
AMLT %	9.64%
Average Bid	\$579,154.67

	Bidder	BASE BID
1	Trade-Mark Brown Inc <i>Submitted: 8/10/2021 2:15:11 PM</i>	\$283,200.00
2	Eveready Electric <i>Submitted: 8/10/2021 2:59:41 PM</i>	\$310,500.00
3	K-Air Corporation <i>Submitted: 8/10/2021 2:54:32 PM</i>	\$757,918.67
4	Marksmen General Contractors <i>Submitted: 8/10/2021 12:09:26 PM</i>	\$965,000.00

Bids opened at: 8/10/2021 3:07:23 PM



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

SUBJECT: Construction Agreement with Trade-Mark-Brown Inc. for the Butt-Holdsworth Memorial Library HVAC Replacement in the amount of \$283,200.00.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 13, 2021

SUBMITTED BY: Kyle Burow

EXHIBITS:

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
\$283,200.00	\$377,259.70	\$400,000.00	15-21001

PAYMENT TO BE MADE TO: Trade-Mark Brown Inc.

Kerrville 2050 Item? No

Key Priority Area

Guiding Principle

Action Item

SUMMARY STATEMENT:

The Butt Holdsworth Memorial Library’s HVAC system (air conditioning) has not worked since May 21, 2021. Obviously, being without a working HVAC system during the hotter days of the summer is uncomfortable for the Library’s patrons and has become a burden for staff. Large fans help, but at times, the temperature within the Library is challenging to work in and may in fact be jeopardizing other systems and property within the Library. The upper floor of the Library is particularly unbearable. Initially, the City sought to replace the entire HVAC based upon its age and other conditions. The City sought bids for such work. After receiving bids, several bids were deficient and the remaining bids were over the budget that the City estimated for the work. Thus, City staff has recommended that City Council reject all bids. However, in the course of reviewing bids and meeting with bidders, the City learned that some of the parts and equipment required for this project are either immediately unavailable or will be delayed in being shipped to Kerrville. Such delays are estimated at being up to 10-12 weeks. Private property owners are experiencing the same delays, including a new restaurant seeking to open. Thus, based upon these delays,

which may only increase, and the remaining days of summer temperatures, City staff believes an emergency exists, such that the City use an exception to the state bidding law and the City's purchasing policy, and immediately proceed with securing a firm to perform the work. Entering into such a contract will also entail the immediate order of the necessary parts and equipment, thereby minimizing further delay. Pursuant to Section 252.002, of the Tx. Local Government Code, cities are authorized to forego the bidding process where it is necessary to protect the public health or safety or is necessary because of unforeseen damage to public machinery, equipment, or other property. City staff believe that this exception absolutely applies here. Since the HVAC system is in immediate need of replacement leaving Library staff burdened with warmer conditions in addition to protecting the resources contained within the Library, staff recommends contracting with Trade-Mark Brown, Inc. in the amount of \$283,200.00 to complete the necessary repairs to the library HVAC systems. Such work will begin as soon as possible.

RECOMMENDED ACTION:

Authorize the City Manager to finalize and execute a construction contract.



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

SUBJECT: Annual Kerrville Economic Improvement Corporation budget for Fiscal Year 2022.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 18, 2021

SUBMITTED BY: Trina Rodriguez

EXHIBITS: [20210824_Budget_EIC FY2022 Budget.pdf](#)

Expenditure Required:	Remaining Budget 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
Key Priority Area	E - Economic Development
Guiding Principle	E1. Support a more holistic approach to economic development, housing and quality of life for people of all economic strata
Action Item	

SUMMARY STATEMENT:

Kerrville's EIC is budgeting revenues of \$4.2 million and expenditures of \$1.6 million. Expenditures include: 1. \$312,500 for the Kerrville Economic Development Corporation 2. \$195,000 for administrative services provided by the City of Kerrville 3. \$15,000 for professional services and supplies 4. \$1,089,369 for debt service on River Trail and Sports Complex related debt. EIC approved this budget at their meeting on July 19, 2021. The proposed budget is attached.

RECOMMENDED ACTION:

Approve the Kerrville Economic Improvement Corporation's budget for Fiscal Year 2022.

City of Kerrville
Economic Improvement Corporation
FY2022 Proposed Budget

	FY21	FY22	FY23
	Estimated	Proposed	Projected
Beginning Cash Balance	\$2,397,892	\$2,457,240	\$5,082,412
Revenue			
Sales Tax	4,086,351	4,223,000	4,307,460
Interest and Miscellaneous	2,703	9,540	32,456
Total Revenue	4,089,054	4,232,540	4,339,916
Expenditures			
Administrative			
Supplies and Miscellaneous	500	500	500
Professional Services	10,000	10,000	10,000
KEDC	197,500	312,500	312,500
Administrative Services Fee	185,000	195,000	200,000
Total Administrative	393,000	518,000	523,000
Debt Service			
Debt Service - Series 2019 Ref (River Trail)	251,344	251,019	250,891
Debt Service - Series 2020 Ref (River Trail)	243,337	233,000	230,750
Debt Service - Series 2015 (KSC)	603,150	605,350	602,350
Debt Service - KPUB (KMM)	1,010,000	-	-
Total Debt Service	2,107,831	1,089,369	1,083,991
Project Contributions			
Thompson Drive Partners	566,666	-	-
Airport Projects	25,400	-	-
Doyle School	536,332	-	-
Downtown River Trail Feasibility Study	50,000	-	-
Killdeer Mountain Manufacturing	250,477	-	-
Kerrville Christmas Lighting	100,000	-	-
Total Project Contributions	1,528,875	-	-
Total Expenditures	4,029,706	1,607,369	1,606,991
Net Revenue (Expenditures)	59,348	2,625,172	2,732,925
Ending Cash Balance	\$2,457,241	\$5,082,412	\$7,815,337



**TO BE CONSIDERED BY
ECONOMIC IMPROVEMENT CORPORATION
CITY OF KERRVILLE, TEXAS**



SUBJECT: Administrative Services Contract between City of Kerrville, Texas and City of Kerrville, Texas Economic Improvement Corporation.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: EA Hoppe

EXHIBITS: [20210824_Contract Administrative Services EIC.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
NA	NA	NA	NA

PAYMENT TO BE MADE TO: NA

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

This contract was approved at the Economic Improvement Corporation meeting held on August 16, 2021.

RECOMMENDED ACTION:

Approve the Agreement as presented.

**ADMINISTRATIVE SERVICES CONTRACT
BETWEEN CITY OF KERRVILLE, TEXAS AND
CITY OF KERRVILLE, TEXAS ECONOMIC IMPROVEMENT CORPORATION**

THIS CONTRACT is entered into as of the ____ day of August 2021, by and between the City of Kerrville, Texas, (“City”), and the City of Kerrville, Texas Economic Improvement Corporation (“EIC”) for and in consideration of the following promises and conditions:

ARTICLE I
SERVICES PROVIDED BY CITY

City shall provide the following services to EIC subject to the limitations and conditions set forth below:

- A. **Engineering and Project Management Services:** City agrees to provide engineering and project management services, to include design, bid, and construction phases, for EIC-funded projects that involve improvements to City and/or public property. City may contract for engineering, project management, or construction services that may be necessary and EIC agrees to pay for such services as part of a project, which will be specified within a project agreement, and which is authorized by the EIC to be funded in whole or in part by sales tax revenues generated pursuant to the authority of Chapters 501, 502, and 505 of the Texas Local Government Code.
- B. **Legal Services:** City agrees the City Attorney will be the legal advisor of, and attorney for, EIC, which representation will include review of documents, contracts, and other instruments as to form and legality, the conduct of legal research, and, if requested, the issuance of legal opinions. In the provision of legal services by the City Attorney, the City Attorney shall provide such services only if the provision of legal services to EIC does not unreasonably impair his ability to provide legal services to the City. For example, in the event the City Attorney determines that a legal or ethical conflict exists between the City and the EIC, the EIC agrees that the City Attorney may continue to represent the City on such matter notwithstanding such conflict, provided the City Attorney has made reasonable disclosure of the conflict to the president of the EIC. Where a conflict exists, EIC may hire counsel of its own choice at EIC expense, subject to its budget, to include any undesignated reserve cash balance but not to exceed an overall expense of \$50,000.00. The City Attorney may contract at times for specialized legal services with respect to a project approved by EIC and EIC shall pay for such services.
- C. **Financial Services:** City agrees to provide accounting, banking, and investment services, including accounts receivable, accounts payable, disbursement of funds per agreements, investments, record keeping, financial reporting, and an audit of all funds. The City will provide a report at each regular monthly meeting of the

EIC, such report to include a statement of revenues and expenditures for all funds and a cash flow analysis on a form approved by the EIC.

- D. **Administrative Services:** City will provide services from the City Manager to include secretarial and other clerical services, including taking minutes and preparation of resolutions and correspondence related to the operation of EIC. The City Manager or designee will engage with the EIC in a manner comparable to the role identified by Section 6.04 of the City Charter.
- E. **Investment Officer:** The City Manager will designate City Finance Department personnel to serve as the EIC's investment officer in accordance with the EIC's *Investment Policy*, as may be amended.
- F. **Regulatory Financial Reporting:** The City's Finance Department shall prepare all financial reports required by state and federal regulatory agencies.
- G. **Annual Audit:** The City's Finance Department shall include the EIC's financial information as part of the City's *Comprehensive Annual Financial Report (CAFR)*.
- H. **Project Reports:** The City Manager or designee shall provide a report at each regular monthly meeting of the EIC on all ongoing projects, which are subject to a funding agreement with the EIC. These reports shall include the status and estimated completion date of each project and verification that performance criteria are being met.
- I. **Staff Reports:** When applicable and requested by the EIC, the City Manager or designee shall prepare a report on each application for EIC funds, such report to include the following information:
 - 1. Complete Application
 - 2. Financial Impact Analysis
 - a. Total payroll
 - b. Payroll multiplier
 - c. Sales and ad valorem tax generation
 - 3. Return on Investment Analysis
 - a. Property tax – City, County, and KISD
 - b. Sales tax – City and County

- c. Payroll multiplier
- d. Timeline by which return is realized
- 4. Feasibility Analysis
 - a. Land – size, zoning, platting, building/fire codes
 - b. Building – size, suitability, condition
 - c. Infrastructure – water, wastewater, streets, drainage, electricity, public safety

J. Prospect Support Services: The City Manager or designee shall ensure that the following support services as provided by City staff are provided to the EIC in the review and processing of applications for EIC funds:

- 1. receive applications;
- 2. evaluate applications for completeness;
- 3. determine eligibility;
- 4. facilitate submission before the EIC;
- 5. provide technical evaluation;
- 6. provide recommendations;
- 7. coordinate with other aligned agencies/entities; and
- 8. identify appropriate incentives and programs.

ARTICLE II COMPENSATION

In consideration of the provision by City to EIC of the services described in Article I, above, EIC shall pay City **\$195,000.00** for the term specified below. It is agreed by the parties that this compensation is equal to the reasonable value of the services anticipated to be provided by City to the EIC. City shall deduct the payment required hereunder upon receipt of said sales tax revenues from the Comptroller of Public Accounts for the State of Texas.

ARTICLE III TERM

The term of this Contract commences on October 1, 2021, and ends on September 30, 2022, subject to earlier termination as provided herein and extension by agreement of the parties hereto.

ARTICLE IV
TERMINATION

This Contract may be terminated by City or EIC for any reason, with or without cause, not earlier than thirty (30) days prior to delivery to the non-terminating party of a written notice of termination. EIC agrees to pay City the reasonable cost of services rendered by City up to the date of termination.

ARTICLE V
GOVERNING LAW

This Contract is subject to, governed by, and construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Contract in the year and as of the date indicated.

CITY OF KERRVILLE, TEXAS

**CITY OF KERRVILLE, TEXAS
ECONOMIC IMPROVEMENT
CORPORATION**

By: _____
E.A. Hoppe, City Manager

By: _____
Greg Richards, President

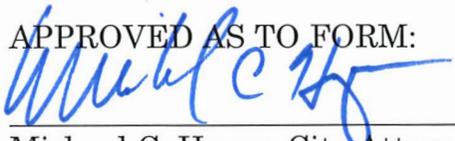
ATTEST:

ATTEST:

Shelley McElhannon, City Secretary

Kesha Franchina, Secretary of EIC

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney



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

SUBJECT: City of Kerrville Funding Agreement with Kerr Economic Development Corporation.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: EA Hoppe

EXHIBITS: [20210824_Contract_KEDC Funding Agreement.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
\$62,500	N/A - FY2022 Expense	\$62,500	N/A

PAYMENT TO BE MADE TO: Kerr Economic Development Corporation

Kerrville 2050 Item?	Yes
Key Priority Area	E - Economic Development
Guiding Principle	E4. Balance, broaden and diversify the City's tax base, shifting the tax burden away from residential property owners
Action Item	E4.1 - Target strategic growth opportunities that will bring an increase in fiscal revenues (sales and property taxes and water/sewer fees, etc.)

SUMMARY STATEMENT:

The City of Kerrville helps fund the Kerr Economic Development Corporation in addition to several other partner agencies in the community, including Kerr County, the Kerrville Public Utility Board, and the City of Kerrville Economic Improvement Corporation.

RECOMMENDED ACTION:

Authorize the City Manager to finalize and execute the Agreement.

STATE OF TEXAS § CITY OF KERRVILLE FUNDING
 § AGREEMENT WITH KERR ECONOMIC
COUNTY OF KERR § DEVELOPMENT CORPORATION

This Agreement entered this ____ day of _____, 2021, by and between the **City of Kerrville, Texas** (“CITY”), and the **Kerr Economic Development Corporation** (“KEDC”), a non-profit organization of the State of Texas.

W I T N E S S E T H

WHEREAS, CITY desires to contract with KEDC for an economic development program and it is considered to be in the best interests of both CITY and KEDC for KEDC to provide these economic development services to CITY; and

WHEREAS, CITY’s intent in entering into this Agreement is to accomplish a public purpose and it believes that it will receive a sufficient public benefit for the funds it contributes;

NOW, THEREFORE, CITY and KEDC agree as follows:

1. Services.

a. KEDC shall undertake a proactive economic development role on behalf of businesses identified for targeted markets for CITY as outlined in the *2-Year Roadmap and Economic Development Ecosystem* (the “Plan of Work”), attached as **Exhibit A** and as may be amended from time to time. KEDC may not change the Business Plan or Plan of Work without providing prior written notice to CITY.

b. A copy of KEDC’s estimated operating 2021-22 fiscal year budget for this economic development program, as approved by KEDC’s Board of Directors, is attached hereto as **Exhibit B**. This budget includes all proposed sources of income and amounts as well as expenses.

c. KEDC, in addition to periodic meetings of its Board of Directors, which includes CITY representation, shall meet with the City Manager and/or designee(s) on a monthly basis on the last Monday of each month, or any other date(s) as mutually agreed to by both parties. At least five (5) days prior to this meeting, KEDC shall provide CITY with an expense and activity report, to include related metrics, actual monthly expenses, and services performed pursuant to the economic development program.

d. KEDC’s Executive Director, and/or designee(s), shall attend the “GO TEAM” meetings scheduled by CITY as needed for vetting of projects and incentive requests.

e. KEDC shall also make quarterly presentations to City Council at a meeting regarding its economic development activities. Where appropriate, the Executive Director or designee(s) shall provide written documentation to City Council to support the presentation, such documentation to be provided to the City Manager at least five (5) days prior to the meeting. The regular meetings of City Council occur on the second and fourth Tuesday of each month and placement on the agenda will be subject to City Manager approval. In the event that neither the Executive Director nor another KEDC representative is able to make a presentation within any given quarter, the Executive Director must provide prior, written notice to the City Manager of the basis therefor.

2. **Payment.** In consideration for these economic development services and as a means of contributing for a portion of the costs, CITY agrees to pay KEDC **\$62,500.00** for the term of this Agreement. CITY shall divide this amount into equal quarterly payments (\$15,625.00), each of which it shall pay within ten (10) business days after the beginning of each calendar quarter.

3. **Records.** In order to insure proper financial accountability, CITY reserves the right to require reasonable requirements regarding the segregation and handling of all funds paid by CITY to KEDC under this Agreement and KEDC agrees to abide by all such requirements. At least annually, KEDC shall furnish to the City Manager: a) a financial statement which KEDC shall have prepared according to generally accepted accounting principles and shall, at a minimum, encompass all aspects of the operation and provision of KEDC's services under this Agreement; and b) an audit report prepared by a certified public accountant. CITY may request additional financial information it deems necessary or appropriate to assist CITY in analyzing a request for financial assistance or verifying the accuracy of any payment due KEDC or accuracy of KEDC's financial records or viability as an organization. Any duly authorized agent of CITY shall be entitled to inspect and audit all books and records of KEDC for compliance with the terms of this Agreement.

4. **Independent Contractor/Indemnity.** It is acknowledged, understood, and agreed that KEDC shall be considered an independent contractor or donee for the purposes of this Agreement and shall in no manner incur any expenses or liability on behalf of the CITY. **KEDC FURTHER AGREES TO HOLD CITY HARMLESS FOR ANY AND ALL CLAIMS BY THIRD PARTIES FOR ANY INJURIES, DAMAGES, OR LIABILITY ARISING UNDER OR OCCASIONED BY KEDC IN CONNECTION WITH THIS AGREEMENT, KEDC'S WORK, OR THE SERVICES IT PROVIDES.**

5. **Notice.** Any notice required to be given under the terms of this Agreement shall be effective if and when given in writing and mailed by certified mail to the addresses listed below:

CITY:
City Manager
City of Kerrville, Texas
City Hall
701 Main Street
Kerrville, TX 78028
(830) 258-1105

KEDC:
President
Kerr Economic Development
Corporation
1700 Sidney Baker, Suite 100
Kerrville, TX 78028
(830) 896-1157

6. **Assignment.** KEDC may not assign this Agreement without the prior written consent of CITY.

7. **Termination.** Notwithstanding the agreed upon term, this Agreement may be terminated upon the occurrence of any of the following, in which case KEDC shall immediately, but in no case longer than thirty (30) days, return to CITY the prorated share of CITY's payment in accordance with Section 2, above:

- a. the giving of written notice by either party to the other party at least ninety (90) days prior to the desired effective termination date;
- b. the termination of the corporate existence of KEDC;
- c. the insolvency of KEDC, the filing of a petition in bankruptcy either by or against KEDC, an assignment by KEDC for the benefit of creditors, or if KEDC goes dormant and/or ceases operations for any reason for thirty (30) days or more; and/or
- d. the breach by KEDC of any of the terms of this Agreement and the continuation of such breach for a period of ten (10) days after written notice is given by CITY to KEDC of such breach.

8. **Term.** The term of this Agreement shall be from October 1, 2021, through September 30, 2022.

9. **Open Records.** KEDC understands that receipt of payment for these services may subject all or part of KEDC's records to the Texas Public Information Act.

10. **Minority Representation on Board.** KEDC is encouraged to obtain minority representation on its Board of Directors.

EXECUTED on the date above stated.

CITY OF KERRVILLE, TEXAS

KERR ECONOMIC
DEVELOPMENT CORPORATION,
KEDC

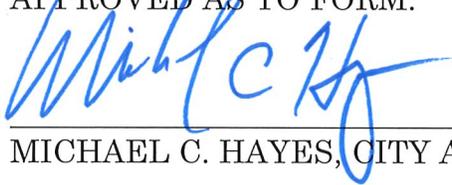
E.A. HOPPE
CITY MANAGER

MIKE WITTLER
PRESIDENT

ATTEST:

SHELLEY MCELHANNON, CITY SECRETARY

APPROVED AS TO FORM:



MICHAEL C. HAYES, CITY ATTORNEY



Work Plan Deliverables & Metrics FY 2021-2022

Approved by the KEDC Board

EXECUTIVE SUMMARY: The following are the board-approved deliverables and metrics the KEDC staff must either meet or exceed as part of the organization's annual performance evaluation. The attached matrix provides a per month status on the organization's deliverables and metrics, which is reported on a monthly basis at the KEDC board meetings.

Business Retention and Expansion:

Companies Visited	30-34
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Marketing to Kerrville:

Social Media Engagement (various platforms)	52
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Economic Development Articles	12
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Human Capital:

Industry & Inclusion Roundtable Discussions	4
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Encouraging Entrepreneurs:

Seminars, Workshops, Events	6-8
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Corporate Recruitment:

Lead Generation	18-22
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Prospects/Site Selectors Hosted	2-4
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Stakeholder Communication & Organization:

Annual Economic Development Forum	1
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Quarterly Reporting	4
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NOTE – A Stakeholder Retreat is scheduled for the 1Q of 2022, where the KEDC's financial contributing entities and its respective board members participate in a board retreat hosted by a nationally recognized economic development consultant. Information from the retreat and other supporting research will be used for the development of a 5-year economic development strategic plan. The entities to be involved include: Kerr Economic Development Corporation board, City of Kerrville Council Members, Kerr County Commissioners, Kerrville Public Utility Board, and the Economic Improvement Corporation board.

KEDC 2-YEAR ROADMAP & ECONOMIC DEVELOPMENT ECOSYSTEM

NOTE: 2050 is for Comprehensive Plan / AV is 2018-2022 Business Plan / COO is Immersion Tour / TIP is Traze, Andy

BUSINESS RETENTION EXPANSION	MARKETING TO KERRVILLE	HUMAN CAPITAL PIPELINE	ENCOURAGING ENTREPRENEURS	CORPORATE RECRUITMENT	STAKEHOLDER COMMUNICATION	ORGANIZATIONAL HOUSEKEEPING
<p>INDUSTRIAL FOOTPRINT (2050-E4) Seek out responsible, strategic growth opportunities to increase property tax revenues – balancing land uses which generate higher tax revenues versus those with higher service costs.</p> <p>SHOVEL READY (AV-Sec.2, TIP) Create an Industrial Park Plan specific to development of the Hwy 27 corridor.</p> <p>TARGET SECTORS (2050-E12; AV) Aviation and aerospace Advanced manufacturing Cratt agriculture Food processing, storage Information, Analytics Energy Healthcare and medical</p> <p>INVENTORY (AV-Sec.2) Conduct and maintain inventory of commercial and industrial property.</p> <p>ECONOMIC INDICATORS (COO) Researching, tracking local and national economic trends.</p>	<p>MARKET RESEARCH (COO) Collection of data, combined with identifying and preparing content.</p> <p>MARKET PROFILE (COO) Vital tool for recruitment for the area, which needs to be created, published.</p> <p>BRAND (TIP) Leverage the Hill Country brand.</p> <p>BRANDING (2050-E7) Create a brand to promote Kerrville as the Capital of the Hill Country.</p> <p>PROMOTIONS (AV) Campaign to promote business recruitment for Kerrville. Creating a branding program, focus on building a better perception of Kerrville.</p> <p>ASSETS (AV-Sec.2) Create marketing materials specifically for site selectors: <ul style="list-style-type: none"> Roadway information Airport Capacity Utilities </p>	<p>LABOR SHED (AV-Sec.3) Update the labor shed analysis done by Avalanche Consulting.</p> <p>COLLABORATE (AV-Sec.3) Increase regional workforce initiatives through the collaboration of the local institutions.</p> <p>BUILD BRIDGES (AV-Sec.3) Between the private sector and workforce training. Build relationships between employers and educators. Form apprenticeship programs.</p> <p>FRESH TALENT (TIP) Schreiner University is the key to drawing fresh talent to Kerrville.</p> <p>KISD (TIP) Partnership with the school district to proactively address workforce needs.</p> <p>WORKFORCE COMMISSION (COO) Host the Texas Workforce Commissioner in order to obtain funding commitment, custom programs for local existing business.</p>	<p>BUSINESS INCUBATION (2050-E1) Develop program to support local entrepreneurs through an incubator facility, where KEDC would provide: <ul style="list-style-type: none"> Technical assistance Access to financing options Low cost, rent for space Tap into retiree, mentors, leverage brain trust </p> <p>BRANDING (2050-E1E1) Promote Kerrville as a college town, to help build the next generation of local entrepreneurs and help build a campus-oriented retail and entertainment district.</p> <p>SMALL BUSINESS (AV-Sec.1) Support and participate in Gov. Small Business Forum.</p> <p>MENTORING (AV-Sec.3) Establish a SCORE Chapter for small business and entrepreneurs.</p> <p>LOCAL EXPERIENCE (TIP) Leverage local professional experience and wealth to grow small business.</p>	<p>OUTREACH (AV-Sec.1) Outreach missions targeting select high-impact companies.</p> <p>SITE SELECTORS (AV-Sec.1) Host site selectors as part of familiarity tour.</p> <p>DELEGATIONS (AV-Sec.1) Host business delegations.</p> <p>KERV AIRPORT (TIP) Airport has capacity for expansion, specifically in aviation and aerospace sector.</p> <p>TARGET SECTORS (COO) The KEDC will work with the following target sectors and in turn, work to develop subsectors from each: <ul style="list-style-type: none"> Light Manufacturing Advanced manufacturing Aviation and aerospace Back office operations Healthcare and medical Tech spillover from AUS-SA CEO with ties to Kerrville economic development. </p>	<p>REPORTING (AV) Implement Quarterly Reports to stakeholders and Biannual Workshops with partner entities.</p> <p>STAKEHOLDER RETREAT (TIP) Once per year, hosted by the KEDC with or without a consultant.</p> <p>ANNUAL ECONOMIC FORUM (COO) Host a keynote speaker, provide a State of Economic Development to stakeholders and the community.</p> <p>ONE-ON-ONE VISITS (COO) Meetings with KEDC Board and IEC Members on a periodic basis, to provide update and also receive input from each of the members.</p> <p>COMMUNITY PRESENCE (COO) Provide an update at all Kerrville area organizations, once per year for each identified community organization.</p> <p>COLLABORATION (TIP) Increase collaboration and cooperation to develop a regional approach to economic development.</p> <p>HILL COUNTRY EDO (TIP) KEDC should consider establishing and/or rebranding as a Hill Country Economic Development Organization.</p> <p>FORUMS (TIP; COO) KEDC needs to create 2 forums per year to address workforce and an update on economic development. Also needs to create a cross-industry leadership forum.</p>	<p>ED MASTER PLAN (2050-E1; TIP) Develop a holistic economic development master plan outlining: <ul style="list-style-type: none"> Roles Goals, Objectives Target Industries </p> <p>2YR ROADMAP (2050-E1; TIP; COO) This plan of action which becomes the Master Plan for the next 2 years.</p> <p>POLICIES, PROCEDURES (COO) Articles of Incorporation and Bylaws have been created for the KEDC, but the missing component to complete the business are the Policies & Procedures.</p> <p>ECONOMIC INCENTIVES (2050-E2) Re-examine the EIC and City incentive matrix in terms of: <ul style="list-style-type: none"> Criteria, qualifying projects Identify, develop tools Flow, process of incentives </p> <p>CREATIVE INCENTIVES (2050-E5) Develop creative financing mechanisms to diversify the community's economic development toolbox, i.e., state incentives.</p> <p>PROSPECT FLOW CHART (COO) Delineate the prospect development process, specifically with the KEDC and partnering entities.</p> <p>IMPACT STUDIES (2050-E1) Conduct economic impact studies / write papers / executive summaries for local industry and communicating to stakeholders.</p> <p>ANNUAL REVIEW (2050-E2) Periodic review and benchmark of the organization's effectiveness based on the KEDC's adherence to the adopted Strategic Economic Development Vision.</p> <p>Non Committee: KEDC Staff Initiative w/ Board involvement</p>
<p>RELATIONS, LOCAL INDUSTRY Either new construction or existing facility, the KEDC BRE Program will provide guidance and foster: <ul style="list-style-type: none"> Workforce contacts Construction Utility services (all) School districts Local college, university Supplier data base Logistics & distribution Housing Real Estate Expansion plans </p> <p>Ongoing communication with the company, tracking its growth and accommodating their needs.</p> <p>COMMITTEE: Industry Roundtable Group Working group made up of plant managers, executives of top employers, whom will meet on a quarterly basis to discuss local trends, opportunities and challenges.</p>	<p>INHOUSE MARKETING PROGRAM Kerrville will create an internal marketing program which in it's first year will be specifically designed to promote to Kerrville stakeholders and community members. After the COO's Immersion Tour, it is evident that the KEDC needs to promote inward and not so much outbound. Marketing tools include: <ul style="list-style-type: none"> New website Social media, messaging YouTube Channel Segments, City channel KEDC Economic Journal Collateral material Community presentations Newspaper editorials Prospect packets Market Profile </p> <p>COMMITTEE: 40-Under-40 The KEDC will work with the committee to coordinate the contest and host the event for the winners.</p>	<p>HUMAN CAPITAL INITIATIVE The biggest challenge for Kerrville is the growing our own workforce. The KEDC will create a program similar to the BRE, but specifically to address workforce development. The following entities will be involved: <ul style="list-style-type: none"> Kerrville ISD Ingram ISD Workforce Solutions Texas Workforce (State) Alamo Colleges Schreiner University UT-San Antonio </p> <p>COMMITTEE: Human Capital Agency heads for the region's different educational and workforce institutions, meet on quarterly basis.</p> <p>COMMITTEE: Mayor's Workforce Housing Task Force The KEDC is in a support role with this group, providing it's expertise in economic development.</p>	<p>ENTREPRENEUR DEVELOPMENT The KEDC will be in a support role for both, the proposed incubator program being developed by Schreiner University and the Kerrville Chamber. KEDC's contribution, however, will be in promoting and creating tools for 'Community Based Entrepreneur Growth' in the Kerrville area. The KEDC can draw from the following to develop a pipeline of entrepreneurs as well as development tools: <ul style="list-style-type: none"> The Capital Factory Geekdom LiftFund (formerly Accion) Fdi Consultant Local Entrepreneur Network </p> <p>COMMITTEE: Entrepreneur Dev. Will focus on developing a program for Community Based Entrepreneur Growth and consequently a campaign to promote entrepreneurship in Kerrville.</p>	<p>FOCUSED LEAD GENERATION Leads will be coming in from different sources: <ul style="list-style-type: none"> KEDC Research, internal lead generation Site Selector Network RFPs from Governor's Office Inbound calls and walk ins Website inquiries Referrals from other EDOS Consultants, mission specific </p> <p>The KEDC will be in a support role with the following sectors: <ul style="list-style-type: none"> Retail, commercial Quality of life and tourism Infrastructure, i.e., housing </p> <p>COMMITTEE: Aviation, Aerospace & Space Due to current prospect activity, the KEDC has an opportunity to create a cluster within the airport and at the Airport Commerce Park.</p>	<p>COMMUNICATION EFFORT The strategy for communication to stakeholders and the overall community is consistency and messaging. The organization will use 1-on-1 meetings to update stakeholders and utilize traditional media, social media and some marketing to cover the bigger audience.</p> <p>Non Committee: KEDC Staff Initiative and Tasks</p>	<p>KEY PERFORMANCE INDICATORS (Aligned with all plans) <ul style="list-style-type: none"> Companies visited No. of expansion jobs Payroll from expansion Industrial Absorption Rates </p>
<p>STAKEHOLDER MEETINGS (1-on-1) <ul style="list-style-type: none"> Annual event Stakeholder retreat Quarterly reporting </p>	<p>Jobs, payroll and CAP created</p> <p>Lead generation</p> <p>Increase in average wages</p> <p>Prospects hosted</p> <p>Project ROI from EIC Funding</p>	<p>Stakeholder meetings (1-on-1)</p> <p>Annual event</p> <p>Stakeholder retreat</p> <p>Quarterly reporting</p>	<p>Completion, implementation of: <ul style="list-style-type: none"> KEDC Roadmap, KEDC Policies & Procedures, Incentives Policy, Impact Studies and Flow Chart(s) </p>			

Completed	EOY	11/20	12/20	1/21	2/21	3/21	4/21	5/21	6/21	7/21	8/21	9/21	10/21	EOY Proj Total
BRE	222	5	20	19	4	10	8	10	25	5	20	4	4	134
Engagements: 30-34	Current													
Property Inventory														
Industrial Plan														
New Branding														
Marketing	535	15	20	3	8	20	25	50	1500	1200	6	5	5	2,857
Social Media: 52														
Articles: 12	30+	5	7	2	5	40	15	1	2	6	11	1	1	96
Workforce Engagement		3	2	5	6	4	3	3	6	2	3			37
Human Capital														
Industry & Inclusion Round Table : 4			1						1				1	4
Business Incubator														
Innovation and Business Forum (new 2021)														Nov 2021
Entrepreneur														
Webinar Series :4			1			1	1						2	4
KerrDC TopForty				2021		Launch				end	Judge			Nov 2021 (award)
Economic Dialogue - Podcast		2	2	0	0	1	1	0	0	0	0	2	2	10
Recruit	21	10	5	2	2	2	3	2	4	4	1			35
Internal/Website														
State	15	2	1	2	2	4	4	6	6	4	5			36
Site Selection	9	4	5	1	1	4	2	2	1	1	2			23
Comm.	20	3	2	2	2	3	2	3	2	2	4		EOY	28
Stakeholder Reporting														
Board Reporting		2	2	2	2	2	2	2	2	2	2	2	2	24
Stakeholder Retreat														10.2022
Organization														
Policy & Procedure														
Impact Study, White Paper			1						1	1				
Incentives														
Annual Review														
Budget														
						begin							final	

KERRVILLE ECONOMIC DEVELOPMENT CORPORATION

Budget Request FY 21-22

	Actual FY 18-19	Actual FY 19-20	Projected FY 20-21	Proposed Budget FY 21-22
Income				
40000 Income - Stakeholder funding				
40100 City of Kerrville	24,500	50,000	39,500	62,500
40200 EIC	140,000	220,000	197,500	312,500
40300 Kerr County	24,500	45,920	39,500	62,500
40400 KPUB	24,500	50,000	39,500	62,500
Total 40000 Income - Stakeholder Funding	213,500	365,920	316,000	500,000
4100 Sponsored Events				
41100 KerrEDC TopForty			1,308	1,500 *memberships
41200 KerrEDGE			54,000	54,000 *Tickets & Sponsors
41300 Business & Innovation Forum			55,308	55,500
Total 41000 Sponsored Event Income			32,812	
Uncategorized Income				
71000 Carryover Income	88,083	28,002	85,878	1,599
Total Income	301,583	393,922	489,998	557,099
Expenses				
60000 Business Expenses				
60100 Business Recruitment	4,396	17,897	9,000	10,000
60300 Website	16,683	4,022	10,866	12,000
60400 Marketing	4,000	8,084	12,991	10,000
60600 Design (Brochures, Publications)	4,406	1,441	9,080	10,000
Total 60000 Business Expenses	29,486	31,443	41,936	42,000
61000 Contract Services				
61200 Accounting Fees	1,315	1,125	1,600	1,600
61300 Outside Contract Services	31,032	3,700	15,000	15,000

61400 Legal Fees				9,703	
61500 KEDC Service Agreement	55,400	32,150	8,900		2,400
Total 61000 Contract Services	87,747	36,975	35,203		19,000
63000 Operations					
63200 Supplies	1,828	1,016	1,864		2,000
63300 Telephone, Internet		304	473		500
63400 Training	3,640	2,390	1,550		1,500
63600 Postage	51	144	115		200
63700 Office Lease		4,800	9,600		9,600
63800 Software/Hardware	1,455	50	7,200		7,200
63900 IT Support Services		65			500
63910 Dues & Subscriptions	4,765	5,021	9,857		8,000
63920 Contingencies					10,000
Total 63000 Operations	11,740	13,790	30,660		39,500
65000 Other Types of Expenses					
65100 Insurance - Liability, D and O	875	900	975		1,000
Total 65000 Other Types of Expenses	875	900	975		1,000
66000 Payroll Expenses					
66100 Board Discretionary	10,000		20,600		25,000
66200 Health Insurance		1,760	7,943		8,000
Retirement	11,847	5,287	8,539		8,600
Taxes	1,410	14,120	16,727		19,500
Wages	92,308	181,804	228,098		235,000
Total 66000 Payroll Expenses	115,565	202,971	281,907		296,100
68000 Travel and Meetings					
68100 Meals & Board Meetings	9,805	2,636	2,422		3,000
68200 Travel	6,411	7,210	6,659		10,000
68300 Mileage/Cell Phone	413	4,558	4,524		6,000
68400 Conference, Retreats, OOT	5,539	1,562	4,462		5,400
Total 68000 Travel and Meetings	22,168	15,965	18,068		24,400
69000 Sponsored Events Expenses					
69100 KerrEDC TopForty			12,300		20,000

69200KerrEDGE			26,350	25,000
69300 Business & Innovation Forum			35,000	38,000
Total 69000 Sponsored Events Expenses			73,650	83,000
Reimbursements	6,000	6,000		6,000
Total Expenses	273,580	308,045	488,399	511,000

Net Operating Income	<u>28,003</u>	<u>85,878</u>	<u>1,599</u>	<u>46,099</u>
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EOY Fund Balance \$36,991.78 \$101,456.59

Sponsored Event Net Operating Income				
	Actual	Actual	Projected	Proposed
	FY 18-19	FY 19-20	FY 20-21	Budget
				FY 21-22

Total 41000 Sponsored Event Income			55,308.16	55,500.00
Total 69000 Sponsored Events Expenses			-73,650.00	-83,000.00
Net Operating Income from Sponsored Events			<u>-18,341.84</u>	<u>-27,500.00</u>



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

SUBJECT: Minutes for the City Council workshop held August 10, 2021.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: Shelley McElhannon

EXHIBITS: [20210824_Minutes_City Council workshop 8-10-21 4pm.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
0	0	0	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

Minutes for the City Council workshop held August 10, 2021 at 4:00 p.m. at the City Hall Council Chambers.

RECOMMENDED ACTION:

Approve minutes as presented.

**CITY COUNCIL WORKSHOP MINUTES
CITY HALL COUNCIL CHAMBERS**

**AUGUST 10, 2021 4:01 PM
KERRVILLE, TEXAS**

CALL TO ORDER: On August 10, 2021 at 4:01 p.m., the City Council workshop was called to order by Mayor Bill Blackburn at City Hall Council Chambers, 701 Main Street. Mayor Blackburn reviewed Covid safety protocols which will be observed during this workshop.

COUNCILMEMBERS PRESENT:

Bill Blackburn, Mayor
Kim Clarkson, Mayor Pro Tem, Councilmember Place 2
Roman Garcia, Councilmember Place 1
Judy Eychner, Councilmember Place 3
Brenda Hughes, Councilmember Place 4

COUNCILMEMBER ABSENT: None

CITY STAFF PRESENT:

E.A. Hoppe, City Manager	Eric Maloney, Fire Chief
Mike Hayes, City Attorney	Chris McCall, Police Chief
Shelley McElhannon, City Secretary	Kim Meismer, Exec Director Operations
Julie Behrens, Assistant Director Finance	Trina Rodriguez, Finance Manager
Yesenia Luna, Municipal Court Coordinator	

VISITORS PRESENT: The citizen speaker(s) present during the meeting is on file in the City Secretary's Office for the required retention period.

1. PUBLIC COMMENT(S):

- Bruce Stracke

2. INFORMATION AND DISCUSSION:

2A. Planning and development of Public Safety Facility.

Chief McCall, Chief Maloney, E.A. Hoppe, and Julie Behrens provided information and responded to questions.

At 4:57 p.m., Councilmember Kim Clarkson called a point of order, which was acknowledged by Mayor Blackburn.

Councilmember Judy Eychner made a motion that the City Council adjourn into closed executive session under 551.071 (consultation with attorney) and Councilmember Brenda Hughes seconded. The motion passed 5-0.

Mayor Blackburn recessed the meeting at 5:18 p.m., and reconvened in closed executive session in the Upstairs Conference room.

3. EXECUTIVE SESSION:

3.A. West Texas Aggregate, LLC, Air Quality Standard Permit for Permanent Rock and Concrete Crushers, Registration Number 163301. (551.071)

The closed executive session adjourned, Council returned to open session at 5:59 p.m. No action was taken during executive session.

4. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION IF ANY:

Councilmember Hughes made a motion for the City to authorize it's Attorney to file a motion to overturn the Executive Director's response to public comment regarding West Texas Aggregate, and Councilmember Eychner seconded. The motion passed 5-0.

ADJOURN. The workshop was adjourned at 6:00 p.m.

APPROVED BY COUNCIL: _____ ATTEST:

Bill Blackburn, Mayor

Shelley McElhannon, City Secretary



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

SUBJECT: Minutes for the City Council meeting held August 10, 2021.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: Shelley McElhannon

EXHIBITS: [20210824_Minutes_City Council meeting 8-10-21 6pm.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
0	0	0	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

Minutes for the City Council meeting held August 10, 2021 at 6:00 p.m. at the City Hall Council Chambers.

RECOMMENDED ACTION:

Approve minutes as presented.

**CITY COUNCIL MINUTES
REGULAR MEETING**

**KERRVILLE, TEXAS
AUGUST 10, 2021 6:00 PM**

On August 10, 2021, at 6:00 p.m. the meeting was called to order by Mayor Bill Blackburn at the City Hall Council Chambers, 701 Main Street. Mayor Blackburn reviewed Covid safety protocols which will be observed during this meeting. Councilmember Judy Eychner provided the invocation and led the Pledge of Allegiance.

COUNCILMEMBERS PRESENT:

Bill Blackburn	Mayor
Kim Clarkson	Mayor Pro Tem, Councilmember Place 2
Roman Garcia	Councilmember Place 1
Judy Eychner	Councilmember Place 3
Brenda Hughes	Councilmember Place 4

COUNCILMEMBER ABSENT: None

CITY EXECUTIVE STAFF:

E.A. Hoppe, City Manager	Kesha Franchina, Deputy City Secretary
Mike Hayes, City Attorney	Eric Maloney, Fire Chief
Shelley McElhannon, City Secretary	Chris McCall, Chief of Police
Julie Behrens, Asst Finance Director	Kim Meisner, Exec Director General Ops
Ashlea Boyle, Director Parks & Rec	Drew Paxton, Chief Planner
Stuart Cunyus, Public Info Officer	Trina Rodriguez, Finance Manager

VISITORS PRESENT:

A list of the citizen speakers present during the meeting is on file in the City Secretary's Office for the required retention period.

1. ANNOUNCEMENTS OF COMMUNITY INTEREST:

Items of interest to the community were presented by Stuart Cunyus.

2. PRESENTATION:

2A. Kerrville Kindness award - Heart of the Hills Board of Directors.

Mayor Blackburn presented the Kerrville Kindness award to the Heart of the Hills Board of Directors and volunteers for the 75th Annual Heart of the Hills Golf Tournament held at the Scott Schreiner Golf Course. The Heart of Hills Board of Directors was represented by Steve Lynch, Debbie Minter, Bobby Morris, and Ashlea Boyle.

3. VISITORS FORUM:

The following persons spoke:

- Rodney Bacon
- Bruce Stracke

4. CONSENT AGENDA:

Councilmember Eychner made a motion to approve the Consent Agenda as presented, and Councilmember Brenda Hughes seconded. The motion passed 5-0.

4A. Minutes for the City Council workshop held July 27, 2021.

4B. Minutes for the City Council, Kerrville Employee Benefit Trust meeting held July 27, 2021.

4C. Minutes for the City Council meeting held July 27, 2021.

END OF CONSENT AGENDA.

5. PUBLIC HEARING AND RESOLUTION:

5A. Resolution No. 36-2021. A Resolution granting a Conditional Use Permit to authorize a short-term rental unit on the property consisting of approximately 0.16 acres, comprising Lot 12, Block 28, J.A. Tivy Addition, a Subdivision within the City of Kerrville and more commonly known as 1221 Park; said property is located within a Single-Family Residential Zoning District (R-1); and making said permit subject to certain conditions and restrictions contained herein.

Shelley McElhannon read Resolution No. 36-2021 caption into record.

Drew Paxton presented information and responded to questions.

Mayor Blackburn opened the public hearing at 6:31 p.m.

The following person spoke: Bruce Stracke

Mayor Blackburn closed the public hearing at 6:33 p.m.

Councilmember Eychner moved to approve Resolution No. 36-2021, and Councilmember Roman Garcia seconded. The motion passed 5-0.

6. ORDINANCES, PUBLIC HEARING AND FIRST READING:

6A. Ordinance No. 2021-18. An Ordinance amending Chapter 60, Code of Ordinances, City of Kerrville, Texas, Chapter 60 more commonly known as the City's Zoning Code; by changing the zoning of a property as 3210 Riverside Drive and out of the Wallace Survey No. 112, Abstract No. 360, and within the City of Kerrville, Kerr County, Texas; from a Single-Family Residential Zoning District (R-1) to a General Commercial Zoning District (C-3); providing a cumulative clause; providing for severability; providing an effective date; and ordering publication.

Shelley McElhannon read Ordinance No. 2021-18 caption into record.

Drew Paxton provided information and responded to questions.

Mayor Blackburn opened the public hearing at 6:41 p.m.

The following person spoke: Bruce Stracke

Mayor Blackburn closed the public hearing at 6:41 p.m.

Councilmember Hughes moved to approve Ordinance No. 2021-18, and Councilmember Eychner seconded. The motion passed 5-0.

6B. Ordinance No. 2021-19. An Ordinance amending Chapter 60 of the Code of Ordinances, City of Kerrville, Texas, such chapter more commonly known as the City's Zoning Code; by changing the zoning of a property known as 501 Florence, consisting of Lot 19 and part of Lot 20, Block 25, Westland Place; within the City of Kerrville, Kerr County, Texas; from a Residential Transition Zoning District (RT) to a Neighborhood Commercial Zoning District (C-1); providing a cumulative clause; providing for severability; providing an effective date; ordering publication; and providing other matters relating to the subject.

Shelley McElhannon read Ordinance No. 2021-19 caption into record.

Drew Paxton provided information and responded to questions.

Mayor Blackburn opened the public hearing at 6:46 p.m.

No person spoke.

Mayor Blackburn closed the public hearing at 6:46 p.m.

Councilmember Eychner moved to approve Ordinance No. 2021-19 on the first reading, and Councilmember Hughes seconded. The motion passed 5-0.

7. INFORMATION AND DISCUSSION:

7A. Presentation of the Fiscal Year 2022 Proposed Budget.

E.A. Hoppe and Julie Behrens provided information and responded to questions.

8. CONSIDERATION AND POSSIBLE ACTION:

8A. Resolution No. 37-2021. A Resolution setting forth the Ad Valorem (property) tax rate to be considered for adoption for the 2021 tax year; said rate to be \$0.5093 per \$100 of assessed value; calling a public hearing prior to the adoption of the Fiscal Year 2022 budget as required by both the City’s Charter and State Law.

Shelley McElhannon read Resolution No. 37-2021 caption into record.

E.A. Hoppe provided information and responded to questions.

Councilmember Eychner made a motion to approve Resolution No. 37-2021 setting the proposed tax rate of \$0.5093 for the Fiscal Year 2022 budget, seconded by Councilmember Hughes. Councilmember Garcia requested a roll call vote. This motion was passed and approved 5-0, the vote recorded as follows:

	YES	NO
Roman Garcia, Place 1	<u>X</u>	___
Kim Clarkson, Place 2	<u>X</u>	___
Bill Blackburn, Mayor	<u>X</u>	___
Judy Eychner, Place 3	<u>X</u>	___
Brenda Hughes, Place 4	<u>X</u>	___

9. ITEMS FOR FUTURE AGENDAS:

- Notification for public besides letters, requested by Councilmember Eychner. No other Council offered sponsorship.

10. EXECUTIVE SESSION: N/A

11. ACTION, IF ANY, ON ITEMS DISCUSSED IN EXECUTIVE SESSION: N/A

ADJOURN. The meeting adjourned at 8:02 p.m.

APPROVED BY COUNCIL: _____

APPROVED:

ATTEST:

Bill Blackburn, Mayor

Shelley McElhannon, City Secretary



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

SUBJECT: Minutes for the City Council workshop held August 17, 2021.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: Shelley McElhannon

EXHIBITS: [20210824_Minutes_Council workshop 8-17-21 10am.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
0	0	0	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

Minutes for the City Council workshop held August 17, 2021 at 10:00 a.m. at the City Hall Council Chambers.

RECOMMENDED ACTION:

Approve minutes as presented.

**CITY COUNCIL MINUTES
WORKSHOP, COUNCIL CHAMBERS**

**AUGUST 17, 2021 10:00 AM
KERRVILLE, TEXAS**

CALL TO ORDER: On August 17, 2021, at 10:00 a.m., the Kerrville City Council workshop was called to order by Mayor Pro Tem Kim Clarkson in the City Hall Council Chambers, 701 Main Street. Mayor Pro Tem Clarkson reviewed Covid safety protocols which will be observed during this workshop.

COUNCILMEMBERS PRESENT:

Kim Clarkson	Mayor Pro Tem, Councilmember Place 2
Roman Garcia	Councilmember Place 1
Judy Eychner	Councilmember Place 3
Brenda Hughes	Councilmember Place 4

COUNCILMEMBER ABSENT:

Bill Blackburn	Mayor
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CITY STAFF PRESENT:

E.A. Hoppe	City Manager	Stuart Barron, Director Public Works
Mike Hayes	City Attorney	Guillermo Garcia, Exec Director for Innovation
Shelley McElhannon	City Secretary	Drew Paxton, Chief Planner

CITIZENS PRESENT:

A list of the citizen speakers present during the meeting is on file in the City Secretary's Office for the required retention period.

1. PUBLIC COMMENTS:

No citizen provided public comment.

2. INFORMATION AND DISCUSSION:

2.A. A draft Ordinance of the City of Kerrville, Texas, Subdivision Code, a comprehensive rewrite of the City's subdivision regulations to be known as the "City of Kerrville, Texas Subdivision Code", within Chapter 82 of the City's Code of Ordinances.

Drew Paxton presented information, and E.A. Hoppe, Drew Paxton, and Stuart Barron responded to questions.

ADJOURN.

The meeting was adjourned at 11:19 a.m.

APPROVED BY COUNCIL: _____

APPROVED:

ATTEST:

Kim Clarkson, Mayor Pro Tem

Shelley McElhannon, City Secretary



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

SUBJECT: ORDINANCE 2021-22. AN ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF UP TO \$7,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF "CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021"; 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 OFFICIAL STATEMENT AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO (THE CITY HAS RECEIVED A PETITION PROTESTING THE ISSUANCE OF THE CERTIFICATES OF OBLIGATION AND IS CURRENTLY IN THE PROCESS OF CERTIFYING THE SIGNATURES THERETO. THIS ORDINANCE SHALL NOT BE APPROVED IF THE CITY SECRETARY CERTIFIES THAT THE PETITION PROTESTING THE ISSUANCE OF THE CERTIFICATES WAS PROPERTLY SIGNED BY AT LEAST FIVE PERCENT OF THE QUALIFIED ELECTORS OF THE CITY.)

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 16, 2021

SUBMITTED BY: Julie Behrens

EXHIBITS: [20210824_Certificates of Obligation Series 2021.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
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PAYMENT TO BE MADE TO:

Kerrville 2050 Item?	Yes
Key Priority Area	F - Public Facilities and Services
Guiding Principle	F2. Place the highest priority on public safety (police, fire, EMS).
Action Item	F2.1 - Devote the necessary resources (funding, equipment) to ensure quality fire, police and EMS services

SUMMARY STATEMENT:

The City of Kerrville is proposing the issuance of Certificates of Obligation, not to exceed \$7 million, for the sole use of acquisition of land and design/engineering efforts for the eventual construction of a multi-departmental Public Safety Complex. Public Safety was identified as the top priority in the Kerrville 2050 plan created and adopted by the City Council, citizens of Kerrville, and City staff. A presentation was provided to the City Council and the community on August 10th outlining the current building deficiencies for the existing Police Department, Fire Department Administration, Emergency Operations Center and Municipal Court.

The presentation also outlined that this need has been identified for a number of years dating back to 2016. A Space Needs Assessment was conducted in 2018 and 2019 to better understand what level of facility would be required to accommodate these operations over the next 20 years. Several key factors have driven the timeline of this issue after the delivery of the 2019 Space Needs Assessment. The estimated construction costs that were identified in that report were predominantly for totally new buildings being constructed, and were beyond the level of resources available to the City at that time. In late 2019 and early 2020 the City explored alternative real estate options that could have provided for the renovation of an existing structure, in order to possibly reduce overall construction costs on the project. Unfortunately, none of the options that were explored at the time were found to be feasible. An additional key element that influenced the timing of this project has been that there was no existing City debt capacity at that time, and any GO Bond issue that occurred in 2019 or 2020 would have required a property tax rate increase. The final element influencing the timing of this project has been that throughout 2020 and 2021 the community, nation, and world have experienced a global pandemic and recession, leading to austere City budgets and mid-year budget cuts.

The near-term use of Certificates of Obligation would allow for the purchase of real estate and initiation of an architectural design effort so that final costs can be better determined for a secondary stage of funding that will be required to construct the building. Historically low interest rates make this an optimum time for this issuance. Interest rates, local real estate costs, and construction costs are all anticipated to increase in the future.

This issuance will not increase the City's existing debt rate (Interest and Sinking or I&S rate), which means there will be no impact to citizen's existing property tax levels relating to this issuance. This proposed issuance remains in compliance with the City Council policy limits regarding debt, whereby no new City debt will be issued that will raise the current I&S property tax rate.

(THE CITY HAS RECEIVED A PETITION PROTESTING THE ISSUANCE OF THE CERTIFICATES OF OBLIGATION AND IS CURRENTLY IN THE PROCESS OF CERTIFYING THE SIGNATURES THERETO. THIS ORDINANCE SHALL NOT BE APPROVED IF THE CITY SECRETARY CERTIFIES THAT THE PETITION PROTESTING THE ISSUANCE OF THE CERTIFICATES WAS PROPERTY SIGNED BY AT LEAST FIVE PERCENT OF THE QUALIFIED ELECTORS OF THE CITY.)

RECOMMENDED ACTION:

Approve Ordinance No. 2021-22, on first reading, if not precluded otherwise by State law.
This Ordinance only requires 1 reading as State law supersedes the City Charter.

ORDINANCE NO. 2021-22¹

ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF UP TO \$7,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF "*CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021*"; 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 OFFICIAL STATEMENT AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

DATE OF APPROVAL: AUGUST 24, 2021

¹The City has received a petition protesting the issuance of the Certificates of Obligation and is currently in the process of certifying the signatures thereto. This Ordinance shall not be approved if the City Secretary certifies that the petition protesting the issuance of the Certificates was properly signed by at least five percent of the qualified electors of the City.

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ORDINANCE NO. 2021-22

ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF UP TO \$7,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF "CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021"; 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 OFFICIAL STATEMENT 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 November 5, 2019; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to acquire, construct, renovate and equip municipal facilities, which may include the acquisition of land and any improvements thereon, primarily to be used as public safety and judicial facilities (the "*Projects*"); 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, none of the Projects being financed with the Certificates of Obligation being issued pursuant to this Ordinance were included in a bond proposition to authorize the issuance of bonds for the same purpose that was submitted to the voters of the City during the preceding three years and failed to be approved; and

WHEREAS, on June 22, 2021, the City Council adopted a resolution authorizing and directing the City Secretary to give notice of intention to issue 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 July 1, 2021, and July 8, 2021; and

WHEREAS, on August 17, 2021, the City received a petition protesting the issuance of such Certificates of Obligation; and

WHEREAS, the City has reviewed the petition, and the City Secretary has certified that _____²; 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 \$ _____³ ***FOR THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO ACQUIRE, CONSTRUCT, RENOVATE AND EQUIP MUNICIPAL FACILITIES, WHICH MAY INCLUDE THE ACQUISITION OF LAND AND ANY IMPROVEMENTS THEREON, PRIMARILY TO BE USED AS PUBLIC SAFETY AND JUDICIAL FACILITIES, TO PAY ALL OR A PORTION OF THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION THEREWITH, AND TO PAY 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 2021** , and initially there shall be issued, sold and delivered hereunder one fully registered certificate of obligation, without interest coupons, dated September 1, 2021, in the aggregate principal amount of \$ _____⁴, 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

²This Ordinance shall not be approved if the City Secretary certifies that the petition protesting the issuance of the Certificates was properly signed by at least five percent of the qualified electors of the City.

³This blank shall be completed when the City Council finalizes all pricing terms on August 30, 2021, which in no event shall be more than \$7,000,000.

⁴This blank shall be completed when the City Council finalizes all pricing terms on August 30, 2021, which in no event shall be more than \$7,000,000.

purchasers designated in Section 16 hereof (the "*Underwriters*"), 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 *February 15* in each of the years and in the principal amounts, respectively, as set forth in the following schedule⁵ (subject to (i) the right of the Underwriters to combine two or more of the following maturities into "Term Certificates" and (ii) the City's acceptance of final pricing terms, to be approved by resolution of the City Council on August 30, 2021):

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT (\$)</u>
2022	140,000	2032	185,000	2042	245,000
2023	145,000	2033	190,000	2043	250,000
2024	150,000	2034	195,000	2044	260,000
2025	155,000	2035	200,000	2045	265,000
2026	160,000	2036	210,000	2046	275,000
2027	165,000	2037	215,000	2047	280,000
2028	165,000	2038	220,000	2048	290,000
2029	170,000	2039	225,000	2049	295,000
2030	175,000	2040	230,000	2050	305,000
2031	180,000	2041	240,000	2051	320,000

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 rates approved by the City Council, as

⁵The maturity schedule may be revised following the adoption of this Ordinance to reflect any changes related to the creation of Term Certificates or adjustments of principal amounts, as approved by City Council when it finalizes all pricing terms on August 30, 2021.

memorialized in a resolution to be considered on August 30, 2021⁶. 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

⁶Upon City Council's approval of the resolution determining final pricing terms, this Section may be revised to incorporate a table containing the interest rates applicable to each respective maturity.

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 Underwriters 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. 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.

(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 Underwriters 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 Underwriters or their designees. 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 STATE OF TEXAS COUNTY OF KERR CITY OF KERRVILLE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021	PRINCIPAL AMOUNT \$ _____
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INTEREST RATE	MATURITY DATE	DATE OF SERIES	CUSIP NO.
____%	February 15, 20__	September 1, 2021	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 specified above, and to pay interest thereon (calculated on the basis of a 360-day year 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, payable on February 15, 2022, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; 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 (initially located in **Houston**, Texas) 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.

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 September 1, 2021, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$_____ ***FOR THE PURPOSE OF PAYING, IN WHOLE OR IN PART, CONTRACTUAL OBLIGATIONS TO BE INCURRED TO ACQUIRE, CONSTRUCT, RENOVATE AND EQUIP MUNICIPAL FACILITIES, WHICH***

MAY INCLUDE THE ACQUISITION OF LAND AND ANY IMPROVEMENTS THEREON, PRIMARILY TO BE USED AS PUBLIC SAFETY AND JUDICIAL FACILITIES, TO PAY ALL OR A PORTION OF THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION THEREWITH, AND TO PAY COSTS OF ISSUANCE.

ON FEBRUARY 15, 20__, OR ON ANY DATE THEREAFTER, the Certificates of Obligation of this Series maturing on and after February 15, 20__, may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part (provided that a portion of a Certificate of Obligation may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount of Certificates of Obligation called for redemption, plus accrued interest thereon to the date fixed for redemption. The City shall determine the maturity or maturities, and the principal amount of Certificates of Obligation within each maturity, to be redeemed. If less than all Certificates of Obligation of a maturity are to be redeemed, the particular Certificates of Obligation to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot.

[Note: The following paragraph shall be included only if two or more consecutive maturities are designated as Term Certificates. The years to be inserted in the first paragraph shall be those years for which Term Certificates are designated to finally mature. The years and amounts to be inserted in the table shall be the principal mandatory sinking fund installments and respective years designated in Section 2 for those maturities consolidated into the Term Certificates.]

ADDITIONALLY, THE CERTIFICATES OF OBLIGATION MATURING on February 15 in the years 20__, 20__, and 20__ (collectively, the "**Term Certificates**") are subject to mandatory redemption prior to maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the respective principal amounts shown below:

TERM CERTIFICATES MATURING FEBRUARY 15, 20__		TERM CERTIFICATES MATURING FEBRUARY 15, 20__	
Mandatory Redemption Date	Redemption Amount	Mandatory Redemption Date	Redemption Amount
February 15, 20__	\$ _____	February 15, 20__	\$ _____
February 15, 20__ (maturity)	_____	February 15, 20__ (maturity)	_____

**TERM CERTIFICATES MATURING
FEBRUARY 15, 20__**

Mandatory Redemption Date	Redemption Amount
February 15, 20__	\$_____
February 15, 20__ (maturity)	_____

The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of any such Term Certificates which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not theretofore credited against a mandatory redemption requirement.

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
Houston, Texas
Paying Agent/Registrar

By _____
Authorized Representative

[The remainder of this page intentionally left blank]

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, 2022, and semiannually on each February 15 and August 15 thereafter to the respective Maturity Dates specified below, or the date of redemption prior to maturity. The respective Maturity Dates, Principal Installments and Interest Rates for this Certificate of Obligation are set forth in the following schedule:

<u>MATURITY</u> <u>DATE</u> <u>(FEB. 15)</u>	<u>PRINCIPAL</u> <u>INSTALLMENT (\$)</u>	<u>INTEREST</u> <u>RATE (%)</u>	<u>MATURITY</u> <u>DATE</u> <u>(FEB. 15)</u>	<u>PRINCIPAL</u> <u>INSTALLMENT (\$)</u>	<u>INTEREST</u> <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) budgeted 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.

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 2021) 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.

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 90 days 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); and

(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 (9), 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 bondholders. 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 and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates of Obligation. 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 and the Finance Director 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 Projects. 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 "**Projects**") 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 Projects are 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 Projects. 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, arbitrage 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.

(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.

"**Financial Obligation**" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"**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 financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by this Ordinance, being the information described in Exhibit C hereto. Any financial statements so to be provided 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 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 required time, and (2) audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such 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.

The City shall file notice of the following events with respect to the Certificates of Obligation to the MSRB through EMMA in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates of Obligation, or other material events affecting the tax status of the Certificates of Obligation;
7. Modifications to rights of the holders of the Certificates of Obligation;
8. Certificate of Obligation calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates of Obligation, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the City.
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee;

15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs 15 and 16 and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The City shall file notice with the MSRB, 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 CITY 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 CITY, 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.

(e) Format, Identifying Information, and Incorporation by Reference. All financial information, operating data, financial statements, and notices required by this Section to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB.

Financial information and operating data to be provided pursuant to subsection (b) of this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC.

SECTION SIXTEEN. SALE AND DELIVERY OF THE CERTIFICATES OF OBLIGATION. The Certificates of Obligation are hereby initially sold and shall be delivered to **SAMCO CAPITAL MARKETS, INC.**, as representative of a group of underwriters also consisting of Raymond James & Associates, Inc. (collectively, the "*Underwriters*"), for cash at a purchase price, and pursuant to the terms and conditions, to be set forth in a bond purchase agreement (the "*Purchase Contract*"). The Purchase Contract and final pricing terms (including the principal maturity amounts, interest rates, and redemption provisions) related to the Certificates of Obligation shall be approved pursuant to a resolution to be considered by the City Council on August 30, 2021.

SECTION SEVENTEEN. APPROVAL OF OFFICIAL STATEMENT. The City hereby approves the form and content of the Official Statement relating to the Certificates of Obligation and any addenda, supplement, or amendment thereto, and approves the distribution of the Official Statement in the reoffering of the Certificates of Obligation by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of a Preliminary Official Statement for the Certificates of Obligation is hereby authorized. The City Council finds and determines that the Preliminary Official Statement and the Official Statement were and are "deemed final" as of each of their respective dates within the meaning, and for the purpose, of Rule 15c2-12 promulgated under authority granted by the Federal Securities and Exchange Act of 1934.

SECTION EIGHTEEN. 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) incorporate the final sale terms to be approved by resolution of the City Council on August 30, 2021, (iii) 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, 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 NINETEEN. 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. 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-ONE. 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-TWO. 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-THREE. 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-FOUR. 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 24TH DAY OF AUGUST, 2021,
AT WHICH MEETING A QUORUM WAS PRESENT.**

Bill Blackburn, Mayor

ATTEST:

Shelley McElhannon, 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 of Obligation, 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 of Obligation will be entered into within six (6) months of the date of delivery of the Certificates of Obligation (the "**Issue Date**");
- (ii) monitor that at least 85% of the proceeds of the Certificates of Obligation 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 of Obligation 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 of Obligation does not exceed an amount equal to the debt service on the Certificates of Obligation in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Certificates of Obligation for the immediately preceding 12-month period;
- (v) ensure that no more than 50% of the proceeds of the Certificates of Obligation 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 of Obligation 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 of Obligation are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Certificates of Obligation 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 of Obligation 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 of Obligation 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 of Obligation 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 of Obligation 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 of Obligation 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 of Obligation and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Certificates of Obligation. If any portion of the Certificates of Obligation 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 of Obligation. 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. Within six months after the end of any fiscal year, commencing with the fiscal year ending in 2021, all quantitative financial information and operating data with respect to the City of the general type included in the Official Statement under Tables 1 through 6 and 8 through 15.
2. Within six months after the end of any fiscal year, commencing with the fiscal year ending in 2021, 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 twelve 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.



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

SUBJECT: Ordinance No. 2021-23: An Ordinance authorizing the issuance of \$865,000 in principal amount of City of Kerrville, Texas Texas Tax Note, Series 2021; securing the payment thereof by authorizing the levy of an Annual Ad Valorem Tax; and approving and authorizing the execution of a Paying Agent/Registrar Agreement, a purchase letter, and all other instruments and procedures related thereto.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 18, 2021

SUBMITTED BY: Julie Behrens

EXHIBITS: [20210824_Tax Note Ordinance.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
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PAYMENT TO BE MADE TO:

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	
Action Item	

SUMMARY STATEMENT:

The issuance of \$865,000.00 in tax notes is in response to emergency operations equipment needs that will help strengthen the City's ability to respond if and when future emergencies occur in the community, such as the recently experienced Winter Storm Uri. Senate Bill 3 (SB 3) was recently passed in the State Legislature and has implemented several unfunded mandates for municipalities in the event that a statewide emergency occurs that could include the State's power grid being non-operational for multiple days. While the full operational impacts of the recently enacted SB 3 are still being evaluated, the City is aware that the purchase of large-scale electric power generators for multiple City facilities will likely be necessary to fulfill this unfunded mandate. While the full cost of this endeavor is not known at this time, early estimates are that the expenses will likely exceed the \$865,000 presented in this tax note. Consequently, the City is in the process of

researching state-wide grant opportunities that may help leverage this funding. However, those grant opportunities will at a minimum necessitate a local matching component that may be partially accommodated via these tax notes funds. Because of the timing of this legislation, the full costs of these purchases along with their accompanying revenue sources are not fully outlined in the proposed FY2022 budget, and will likely require a budget amendment at some point in FY2022.

This tax note represents a short-term (2 year) loan through a private banking institution to provide some of the financial resource estimated to be needed to achieve the goals of SB 3's unfunded mandates. This issuance will not occur should the City decide, and have the statutory ability, to move forward with Ordinance 2021-21. Consequently, this issuance will not increase the City's existing debt rate (Interest and Sinking or I&S rate), which means there will be no impact to citizen's existing property tax levels relating to this issuance. This proposed issuance remains in compliance with the City Council policy limits regarding debt, whereby no new City debt will be issued that will raise the current I&S property tax rate.

RECOMMENDED ACTION:

Approve Ordinance No. 2021-23. Ordinance No. 2021-23 only requires one reading as State Law supersedes City Charter.

ORDINANCE NO. 2021-23

ORDINANCE AUTHORIZING THE ISSUANCE OF \$865,000 IN PRINCIPAL AMOUNT OF *CITY OF KERRVILLE, TEXAS TAX NOTE, SERIES 2021*; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

DATE OF APPROVAL: AUGUST 24, 2021

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ORDINANCE NO. 2021-23

ORDINANCE AUTHORIZING THE ISSUANCE OF \$865,000 IN PRINCIPAL AMOUNT OF *CITY OF KERRVILLE, TEXAS TAX NOTE, SERIES 2021*; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; AND APPROVING AND AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE LETTER, AND ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO

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 municipality under the Constitution and laws of the State of Texas and its City Charter, which was initially approved by the qualified voters of the City on February 24, 1942, and was most recently amended by the qualified voters of the City on November 5, 2019; and

WHEREAS, the City Council of the City hereby determines that it is necessary and desirable to purchase emergency operation equipment, including electric power generation equipment for unfunded mandates related to Senate Bill 3 (collectively, the "**Projects**"); and

WHEREAS, pursuant to Chapter 1431, Texas Government Code, as amended (the "**Act**"), the City Council of the City is authorized and empowered to issue anticipation notes to pay contractual obligations incurred or to be incurred (i) for the construction of any public work, and (ii) for the purchase of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the City's authorized needs and purposes; and

WHEREAS, in accordance with the provisions of the Act, the City Council hereby finds and determines that an anticipation note should be issued and sold at this time to finance the Projects; and

WHEREAS, the City Council of the City deems it appropriate to adopt this Ordinance and issue the Note herein authorized as permitted by the Act; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was adopted 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, TEXAS:

SECTION 1. AMOUNT AND PURPOSE OF THE NOTE. The Note of the City is hereby authorized to be issued and delivered in the aggregate principal amount of **\$865,000 FOR THE PURPOSE OF PURCHASING EMERGENCY OPERATION EQUIPMENT, INCLUDING ELECTRIC POWER GENERATION EQUIPMENT FOR UNFUNDED MANDATES RELATED TO SENATE BILL 3, AND PAYING COSTS OF ISSUANCE.**

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITY OF NOTE. (a) Each note issued pursuant to this Ordinance shall be designated **CITY OF KERRVILLE, TEXAS TAX NOTE, SERIES 2021**, and initially there shall be issued, sold, and delivered hereunder one fully registered note, without interest coupons, dated September 1, 2021, in the denomination and principal amount of **\$865,000**, numbered R-1, with any note issued in replacement thereof being in the denomination and principal amount hereinafter stated and numbered consecutively from R-2 upward, payable in installments to the registered owner thereof, or to the registered assignee of said note (in each case, the "**Registered Owner**").

(b) Principal of the Note shall mature and be payable in installments on the dates and in the principal installment amounts and shall bear interest at the per annum rate set forth in the following schedule:

<u>PAYMENT DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
02/15/2022	190,000	1.300
02/15/2023	675,000	1.300

The term "**Note**" as used in this Ordinance shall mean and include collectively the note initially issued and delivered pursuant to this Ordinance, as well as all other substitute notes and replacement notes issued pursuant hereto.

SECTION 3. INTEREST. The Note shall bear interest from the dates specified in the **FORM OF NOTE** set forth in this Ordinance to date of maturity at the respective rate per annum for each principal installment set forth above. Said interest shall be payable in the manner provided and on the dates stated in the **FORM OF NOTE** set forth in this Ordinance. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

SECTION 4. CHARACTERISTICS OF THE NOTE.

(a) Registration and Transfer; Authentication. The City shall keep or cause to be kept at the designated corporate trust or commercial banking office of **TIB THE INDEPENDENT BANKERSBANK, N.A.** (currently located in Farmers Branch, Texas) (the "**Paying Agent/Registrar**") books or records for the registration of the transfer of the Note (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 under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations and transfers as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of the Note to which payments with respect to the Note shall be mailed, as herein provided; but it shall be the duty of the 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. 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 City shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer and delivery of a substitute Note. Registration of assignment and transfer of the Note shall be made in the manner provided and with the effect stated in the FORM OF NOTE set forth in this Ordinance. Each substitute Note shall bear a letter and/or number to distinguish it from each other Note.

Except as provided in Section 5(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Note, date and manually sign said Note, and no such Note shall be deemed to be issued or outstanding unless such Note is so executed. The Paying Agent/Registrar promptly shall cancel the paid Note or a Note surrendered for transfer. 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, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Note in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of transfer of the Note as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Note, the transferred Note shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Note which initially was issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Note 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 Note, 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 Note, and of all transfers of the Note, and all replacements of the Note, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (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 (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of the Registered Owner appearing on the Registration Books at the close of business on the fifteenth business day next preceding the date of mailing of such notice.

(c) *In General.* The Note (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Note to be payable only to the Registered Owner thereof, (ii) may be transferred and assigned, (iii) shall have the characteristics, (iv) shall be signed, sealed, executed and authenticated, (v) the principal of and interest on the Note shall be payable, and (vi) shall be administered, and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Note, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF NOTE set forth in this Ordinance. The Note initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Note issued in transfer or replacement for any Note 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 NOTE.

(d) *Substitute Paying Agent/Registrar.* The City covenants with the registered Owner of the Note that at all times while the Note is outstanding the City will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Note under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 40 days written notice to the Paying Agent/Registrar, to be effective not later than 30 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 Note, 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 the Registered Owner of the Note, 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 the Paying Agent/Registrar.

(e) On the closing date, one Initial Note representing the entire principal amount of the Note, payable in stated installments to the initial purchaser identified in Section 12 hereof, executed by manual or facsimile signature of the Mayor 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. The Paying Agent/Registrar shall insert the date of delivery and deliver the Note to the initial purchaser.

SECTION 5. FORM OF NOTE. The form of the Note, 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 to the Note 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.

(a) Form of Note.

NO. R-__ **PRINCIPAL AMOUNT**
\$865,000

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF KERR
CITY OF KERRVILLE, TEXAS TAX NOTE, SERIES 2021**

Interest Rate	Delivery Date	Maturity Date
As shown below	September 23, 2021	As shown below

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THE CITY OF KERRVILLE, TEXAS (the "*City*"), being a political subdivision and a home-rule municipality of the State of Texas, for value received, hereby promises to pay, from the sources described herein, to the Registered Owner specified above, or registered assign (the "*Registered Owner*"), the principal amount from time to time unpaid and to pay interest thereon from the date of delivery of this Note as specified above, at the respective rates per annum set forth in the table below, calculated on the basis of a 360-day year of twelve 30-day months. The principal of this Note shall mature and be paid in installments on the dates and in the amounts set forth in the table below:

<u>PAYMENT DATE (AUG. 15)</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
02/15/2022	190,000	1.300
02/15/2023	675,000	1.300

THE PRINCIPAL OF AND INTEREST ON THIS NOTE are payable in lawful money of the United States of America, without exchange or collection charges. The City shall pay interest on the unpaid principal installments of this Note on February 15, 2022, and on each February 15 and August 15 thereafter to the date of maturity thereof. The last principal installment of this Note, together with accrued interest thereon to the maturity date thereof, shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity at the designated office of *TIB The Independent Bankers Bank, N.A.*, which is the "**Paying Agent/Registrar**" for this Note. The payment of all other principal installments of and interest on this Note shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each principal and interest payment date by check or draft, dated as of such principal and 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 Note (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft 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 addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

ANY ACCRUED INTEREST due at maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Note for payment at the designated office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and interest payment date for this Note 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 Note, when due.

IF THE DATE FOR THE PAYMENT of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, 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; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS NOTE, DATED AS OF SEPTEMBER 1, 2021, IS AUTHORIZED and issued in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$865,000 FOR THE PURPOSE OF PURCHASING EMERGENCY OPERATION EQUIPMENT, INCLUDING ELECTRIC POWER GENERATION EQUIPMENT FOR UNFUNDED MANDATES RELATED TO SENATE BILL 3, AND PAYING COSTS OF ISSUANCE.**

THE PRINCIPAL INSTALLMENTS OF THIS NOTE ARE NOT SUBJECT TO REDEMPTION PRIOR TO STATED MATURITY.

UPON THE PAYMENT OF THE OUTSTANDING principal balance of this Note, the Paying Agent/Registrar shall note in the Registration Books the amount of such payment, the date said payment was made and the remaining unpaid principal balance of this Note.

THIS NOTE IS ISSUED AS A FULLY REGISTERED NOTE, without interest coupons, in the denomination of the principal amount thereof. As provided in the Ordinance, this Note may, at the request of the Registered Owner or the assignee hereof, be assigned or transferred for a like aggregate principal amount of a fully registered Note in the denomination of the principal amount hereof, without interest coupons, payable to the Registered Owner or assignees as the case may be, having the same denomination, upon surrender of this Note 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 Note 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 Note. The form of Assignment printed or endorsed on this Note 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 Note by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring or exchanging any Note will be paid by the City. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment or transfer, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer 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.

IN THE EVENT ANY PAYING AGENT/REGISTRAR FOR THE NOTE 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 Owner of the Note.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Note 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 Note have been performed, existed, and been done in accordance with law; that this Note 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 Note, 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 provided by law.

THE CITY ALSO HAS RESERVED THE RIGHT to amend the Note Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owner of the Note.

BY BECOMING THE REGISTERED OWNER OF THIS NOTE, 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 Note and the Ordinance constitute a contract between each Registered Owner hereof and the City.

IN WITNESS WHEREOF, the City has caused this Note to be signed with the facsimile signature of the Mayor of the City and countersigned with the facsimile signature of the City Secretary of the City, and has caused the official seal of the City Council of the City to be duly impressed, or placed in facsimile, on this Note.

(facsimile signature)
City Secretary
City of Kerrville, Texas

(facsimile signature)
Mayor
City of Kerrville , Texas

(CITY SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Note 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 Note has been issued under the provisions of the Ordinance described in the text of this Note; and that this Note has been issued in replacement of, or transferred for, a Note 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:

TIB THE INDEPENDENT BANKERSBANK, N.A.
Paying Agent/Registrar

By: _____
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT
(Please print or type clearly)

For value received, the undersigned hereby sells, assigns and transfers unto:

Transferee's Social Security or Taxpayer Identification Number: _____

Transferee's name and address, including zip code: _____

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to register the transfer of the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: .

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

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

(d) Form of Registration Certificate of the Comptroller of Public Accounts:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this _____.

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

SECTION 6. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST. (a) Interest and Sinking Fund; Tax Levy. A special Interest and Sinking Fund (the "***Interest and Sinking Fund***") is hereby created solely for the benefit of the Note, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City for so long as the Note or interest thereon are outstanding and unpaid. 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 Note. Until expended for the purposes set forth in Section 1 hereof, the proceeds derived from the sale of the Note shall be held as further security for the timely payment of the principal and interest on the Note. All ad valorem taxes levied and collected for and on account of the Note and all accrued interest and premium on the Note received by the City from the initial purchaser of the Note, if any, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while the Note or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient, together with other moneys deposited to the credit of the Interest and Sinking Fund, to raise and produce the money required to pay the interest on the Note as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal installment of the Note as such principal installment matures (but never less than 2% of the original principal amount of the Note 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 the Note 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 aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limits provided by law.

(b) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Note and the pledge of the ad valorem taxes granted by the City under Section 6(a) of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Note is outstanding and unpaid such that the pledge of the ad valorem taxes granted by the City under Section 6(a) 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 Owner of the Note 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 7. CONSTRUCTION FUND. There is hereby created and established in the depository of the City, a fund to be called the *City of Kerrville, Texas Tax Note (Series 2021) Construction Fund* (herein called the "***Construction Fund***"). Proceeds from the sale and delivery of the Note (other than proceeds representing accrued interest on the Note and any premium on the Note 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 Note is 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 Note and the issuance of the Note. All funds remaining on deposit in the Construction Fund upon completion of the projects being financed with the proceeds from the Note, if any, shall be transferred to the Interest and Sinking Fund.

SECTION 8. 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 Note was 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 Note.

SECTION 9. DEFEASANCE OF NOTE. (a) The Note and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "*Defeased Note*") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Note, 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 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 Authority with the Paying Agent/Registrar for the payment of its services until the Defeased Note 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 Note, 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 that the Note shall be deemed to be a Defeased Note hereunder, as aforesaid, such Note 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.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Authority 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 Note and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Authority, or deposited as directed in writing by the Authority. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of the Defeased Note 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 Note, with respect to which such money has been so deposited, shall be remitted to the Authority or deposited as directed in writing by the Authority.

(c) 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 City, 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 Authority 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 Note.

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

SECTION 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED NOTE.

(a) Replacement Note. In the event the Note is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Note of the same principal installment amounts, maturity dates and interest rates as the damaged, mutilated, lost, stolen, or destroyed Note, in replacement for such Note in the manner hereinafter provided.

(b) Application for Replacement Note. Application for replacement of a damaged, mutilated, lost, stolen, or destroyed Note shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Note, the Registered Owner applying for a replacement Note 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 Note, 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 Note, as the case may be. In every case of damage or mutilation of a Note, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Note so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Note shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Note, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Note) instead of issuing a replacement Note, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuing Replacement Note. In accordance with Chapter 1206, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement Note 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 Note is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Note in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for a Note issued in exchange for another Note.

SECTION 11. CUSTODY, APPROVAL, AND REGISTRATION OF NOTE; BOND COUNSEL'S OPINION, INSURANCE, AND CUSIP NUMBERS. The Mayor of the City, on behalf of the City, is hereby authorized to have control of the Note initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Note pending its 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 Note 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 Note, 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 and the assigned CUSIP numbers, if any, may, at the option of the City, be printed on the Note 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 Owner of the Note. In addition, if municipal bond insurance is obtained, the Note may bear an appropriate legend as provided by the insurer.

SECTION 12. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE NOTE. (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 Note as an obligation 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 Note 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 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 Note, 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 Note 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 Note (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 Note being treated as a "private activity bond" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Note 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 Note, 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 Note, other than investment property acquired with --

(A) proceeds of the Note invested for a reasonable temporary period of three (3) years or less or, in the case of a refunding bond, for a period of 90 days or less, until such proceeds are needed for the purpose for which the Note is 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 Note;

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

(8) to refrain from using the proceeds of the Note or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Note 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 Note) 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 Note has 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 (9), 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 bondholders. 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 and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Note. 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 Note, 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 Note 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 Note, 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 Note under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager, the Assistant City Manager and 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 Note.

(d) Allocation of, and Limitation on, Expenditures for the Projects. 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 (the "**Projects**") 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 Projects are 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 Note, or (2) the date the Note is 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 Note. 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 Projects. 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 Note. 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 Note. 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, arbitrage 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.

(h) Designation as Qualified Tax-Exempt Obligation. The City hereby designates the Note as a "qualified tax-exempt obligation" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) that during the calendar year in which the Note is issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Note, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) that the City

reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Note is issued, by the City (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the City will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Note will not be considered a "private activity bond" within the meaning of section 141 of the Code.

SECTION 13. SALE OF NOTE; USE OF PROCEEDS. The Note is hereby initially sold and shall be delivered to **TIB THE INDEPENDENT BANKERS BANK, N.A.** (the "*Purchaser*"), located in Farmers Branch, Texas, for cash for the par value thereof and no accrued interest, pursuant to a *Purchase Letter*, in substantially the form attached hereto as *Exhibit C*, which the Mayor and Mayor Pro Tem are each hereby authorized to accept, approve all changes, and execute on behalf of the City. In satisfaction of Section 1201.022(a)(3), Texas Government Code the City Council hereby determines that the final terms of the Note as set forth in this Ordinance are in the City's best interests. The Note initially shall be registered in the name of **TIB THE INDEPENDENT BANKERS BANK, N.A.**

SECTION 14. NO RULE 15c2-12 UNDERTAKING; ANNUAL FINANCIAL STATEMENTS. The City has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "*Rule*") in connection with the issuance of the Note inasmuch as the Purchaser is not acting as an "underwriter in a primary offering of municipal securities" within the meaning of the Rule. The City is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the City or the Note; however, so long as the Purchaser or its assignee is the sole Registered Owner of the Note, unless waived by the Purchaser, the City shall provide the following to the Purchaser:

- (a) Audited financial statements, to be provided within six months after the close of each City fiscal year ending on and after September 30, 2021, and
- (b) Such other financial information regarding the City as the Purchaser shall reasonably request.

SECTION 15. FURTHER PROCEDURES. The Mayor, Mayor Pro-Tem, City Manager, Assistant City Manager, Director of Finance, and City Secretary of the City and all other officers, employees, and agents of the City and each of them, are each 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 and the Note. In addition, prior to the initial delivery of the Note, the Mayor, City Manager, Assistant City Manager, Director of Finance, City Secretary, and the City's 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, (ii) obtain a rating from any of the national bond rating agencies, if any rating is obtained, or satisfy any requirements of the provider of a municipal bond insurance policy, if any,

or (iii) obtain the approval of the Note by the Attorney General of the State of Texas. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 16. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owner of the Note, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Note remains outstanding except as permitted in this Section. The City may, without the consent of or notice to the Registered Owner (other than the Purchaser as long as the Purchaser is a Registered Owner, in which case the City must receive the Purchaser's prior written consent to), 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 Owner. The City may, with the written consent of the Registered Owner of the Note, amend, change, modify, or rescind any provisions of this Ordinance not otherwise permitted to be amended in accordance with the preceding sentence. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owner, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owner 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 Owner of the Note requiring the consent of the Registered Owner, 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 17. DEFAULTS AND REMEDIES. 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 Note, (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 Registered Owner of the Note 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 18. 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 and the Registered Owner of the Note, 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 and the Registered Owner of the Note.

SECTION 19. 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 20. SEVERABILITY. The provisions of this Ordinance are severable and if any provision or the applicability thereof to any person or circumstance is ever held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Ordinance and the application of such provisions to other persons or circumstances shall not be affected thereby.

SECTION 21. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately upon adoption by the City Council.

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***PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE,
TEXAS AT A REGULAR MEETING ON THE 24TH DAY OF AUGUST, 2021, AT WHICH
MEETING A QUORUM WAS PRESENT.***

Mayor
City of Kerrville, Texas

ATTEST:

City Secretary
City of Kerrville, Texas

(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 of Proceedings.

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 is currently the 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 Note will be entered into within six (6) months of the date of delivery of the Note (the "*Issue Date*");
- (ii) monitor that at least 85% of the proceeds of the Note 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 Note 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 Note does not exceed an amount equal to the debt service on the Note in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Note for the immediately preceding 12-month period;
- (v) ensure that no more than 50% of the proceeds of the Note are invested in an investment with a guaranteed yield for 4 years or more;
- (vi) maintain any official action of the District (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Note 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 Note is retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Note 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 Note is outstanding, any person, other than the District, the employees of the District, the agents of the District 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 Note is outstanding, any person, other than the District, the employees of the District, the agents of the District 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 Note is outstanding, any person, other than the District, the employees of the District, the agents of the District 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 Note is outstanding, any person, other than the District, has a naming right for the facilities or any other contractual right granting an intangible benefit;
- (vi) determine whether, at any time the Note is 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 Note and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Note. If any portion of the Note 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 District'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 Note. 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

FORM OF PURCHASE LETTER

*The Purchase Letter is omitted at this point as it appears
in executed form elsewhere in this Transcript of Proceedings.*



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

SUBJECT: Ordinance No. 2021-20. An Ordinance adopting the annual budget for the City of Kerrville, Texas, Fiscal Year 2022; providing appropriations for each city department and fund; containing a cumulative clause; and containing a savings and severability clause.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 13, 2021

SUBMITTED BY: Julie Behrens

EXHIBITS: [20210824_Ordinance 2021-20 Annual Budget FY22.pdf](#)

Expenditure Required:	Remaining Budget 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?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

The FY2022 Proposed Budget continues to advance many of the guiding principles of Kerrville 2050 as well as City Council priorities. – overall revenues \$71,956,982, overall expenditures \$79,131,548 – General Fund is balanced with \$30,484,871 in revenues and expenditures – Water Fund is balanced with \$13,705,761 in revenues and expenditures – Expenditures exceed revenues in overall other funds primarily due to capital projects that were funded in previous years – The proposed property tax rate is LOWERED from \$0.5116 to \$0.5093 per \$100 of assessed value. The proposed tax rate exceeds the no-new-revenue rate but is lower than the voter-approval rate. This marks the 4th time in the past 5 years that the tax rate has been lowered and the 12th consecutive year of the same or lower tax rate. – Small increases to water and sewer rates – Additional funding for streets – Citywide capital projects – Staff began preparation of the FY2022 budget in February – Budget workshops were held with Council in March, June, and July – The

FY2022 Proposed Budget was filed in the City Secretary's office on July 30, 2021. Notice of Public Hearing was published in the Kerrville Daily Times on August 14, 2021 and is running on the City's public access channel 5 times per day. In addition, the notice and all budget information is available on the City's website and at the Butt-Holdsworth Memorial Library at 505 Water Street. The first reading and vote for the ordinance to adopt the FY2022 Proposed Budget will occur following this public hearing. The second ordinance reading and vote will occur on September 14, 2021. The new fiscal year will begin October 1, 2021.

RECOMMENDED ACTION:

Approve Ordinance 2021-20, on first reading.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2021-20**

**AN ORDINANCE ADOPTING THE ANNUAL
BUDGET FOR THE CITY OF KERRVILLE, TEXAS,
FISCAL YEAR 2022; PROVIDING
APPROPRIATIONS FOR EACH CITY
DEPARTMENT AND FUND; CONTAINING A
CUMULATIVE CLAUSE; AND CONTAINING A
SAVINGS AND SEVERABILITY CLAUSE**

WHEREAS, in accordance with Sections 8.01 and 8.03 of the City Charter and Section 102.005 of the Texas Local Government Code, the City Manager prepared and filed with the City Secretary on July 30, 2021, a proposed budget for the City of Kerrville, Texas, for the fiscal year beginning October 1, 2021, and ending September 30, 2022 (sometimes referred to as “Fiscal Year 2022” or “FY2022”); and

WHEREAS, in accordance with Section 8.03 of the City Charter and Sections 102.006 and 102.065 of the Texas Local Government Code, and after providing the required public notice in the City’s official newspaper not less than ten days prior to the date of the public hearing, a public hearing was duly held on August 24, 2021, at the time and place set forth in the public notice, said date being more than fifteen days subsequent to the filing of the proposed budget by the City Manager, at which all interested persons were given an opportunity to be heard for or against any item within the proposed budget; and

WHEREAS, after due deliberation, study, and consideration of the proposed budget, to include the opportunity of making any amendments to the budget proposed by the City Manager that City Council has determined are (1) warranted by law or (2) in the best interest of the taxpayers of the City, City Council is of the opinion that the Official Budget for the Fiscal Year 2022, with any such amendments described and discussed, should be approved and adopted, in accordance with Section 8.05 of the City Charter and Section 102.007 of the Texas Local Government Code;

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

SECTION ONE. The Official Budget of the City of Kerrville, Texas, a copy of which is on file in the office of the City Secretary, referenced by the date and number of this Ordinance, and incorporated herein by reference as if fully set out herein, is adopted, in accordance with Article VIII of the City Charter and Chapter 102 of the Texas Local Government Code.

SECTION TWO. The appropriations by department, fund, or other organization unit and the authorization and allocation for each program or activity are hereby deemed to provide a complete financial plan of City funds and activities

for the Fiscal Year 2022, in accordance with Section 8.04 of the City Charter and Chapter 102 of the Texas Local Government Code.

SECTION THREE. The following policies, which City Council has previously approved, are included within the budget document referenced in Section One. Some of the policies include amendments, as indicated, which City Council hereby approves. City Council may revise a policy(s) before the adoption of next year's budget, by the adoption of a resolution indicating the revisions. The policies are as follows:

- Financial Management Policy
- Investment Policy
- Purchasing Policy
- Real Estate Policy
- Travel Policy
- Vehicle and Equipment Replacement Policy
- Fee Schedule
- Official Bonds Applicable to Specified Employees

SECTION FOUR. 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 FIVE. 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 City 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 any one or more sections, subsections, sentences, clauses, or phrases be declared unconstitutional or invalid.

THE MEMBERS OF CITY COUNCIL VOTED AS FOLLOWS IN ACCORDANCE WITH THE CITY CHARTER AND STATE LAW:

FIRST READING:

[1ST MOTION TO STATE AS FOLLOWS: *Motion to approve Ordinance No. 2021-20 to adopt the City's budget for Fiscal Year 2022 on 1st reading.*]

City Secretary to take record vote as follows:

	YES	NO
Bill Blackburn, Mayor	_____	_____
Roman Garcia, Place 1	_____	_____
Kim Clarkson, Place 2	_____	_____
Judy Eychner, Place 3	_____	_____
Brenda Hughes, Place 4	_____	_____

[2ND MOTION TO STATE AS FOLLOWS: *Motion ratifying vote to adopt a budget that will require raising more revenue from property taxes than the previous fiscal year.*]

PASSED AND APPROVED ON FIRST READING, this the ____ day of _____ A.D., 2021.

SECOND READING:

[1ST MOTION TO STATE AS FOLLOWS: *Motion to approve Ordinance No. 2021-20 to adopt the City’s budget for Fiscal Year 2022 on 2nd reading.*]

City Secretary to take record vote as follows:

	YES	NO
Bill Blackburn, Mayor	_____	_____
Roman Garcia, Place 1	_____	_____
Kim Clarkson, Place 2	_____	_____
Judy Eychner, Place 3	_____	_____
Brenda Hughes, Place 4	_____	_____

[2ND MOTION TO STATE AS FOLLOWS: *Motion ratifying vote to adopt a budget that will require raising more revenue from property taxes than the previous fiscal year.*]

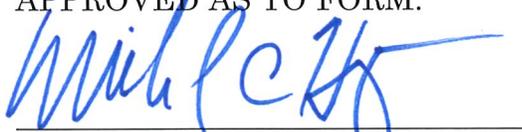
PASSED AND APPROVED ON SECOND AND FINAL READING, this the ____ day of _____, A.D., 2021.

Bill Blackburn, Mayor

ATTEST:

Shelley McElhannon, City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney



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

SUBJECT: Ordinance No. 2021-21. An Ordinance levying an Ad Valorem Tax for the use and the support of the Municipal Government for the City of Kerrville, Texas, for the Fiscal Year 2022; providing for apportioning each levy for specific purposes; and providing when taxes shall become due and when the same shall become delinquent if not paid.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 13, 2021

SUBMITTED BY: Julie Behrens

EXHIBITS: [20210824_Ordinance 2021-21 Ad Valorem Tax.pdf](#)

Expenditure Required:	Remaining Budget 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?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

The tax rate for the FY2022 Proposed budget (2021 tax year) is \$0.5093 per \$100 of assessed value, which is higher than the no-new-revenue rate of \$0.4868 but lower than the voter-approval rate of \$0.5315. If approved, the tax rate of \$0.5093 will be lower than the FY2021 tax rate of \$0.5116. This will mark the 4th time in 5 years that the tax rate will be lowered and the 12th consecutive year that the City of Kerrville has maintained the same or lower tax rate (no increase to tax rate).

RECOMMENDED ACTION:

Approve Ordinance No. 2021-21, on first reading.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2021-21**

AN ORDINANCE LEVYING AN AD VALOREM TAX FOR THE USE AND THE SUPPORT OF THE MUNICIPAL GOVERNMENT FOR THE CITY OF KERRVILLE, TEXAS, FOR THE FISCAL YEAR 2022; PROVIDING FOR APPORTIONING EACH LEVY FOR SPECIFIC PURPOSES; AND PROVIDING WHEN TAXES SHALL BECOME DUE AND WHEN SAME SHALL BECOME DELINQUENT IF NOT PAID

WHEREAS, City Council finds that an ad valorem tax must be levied to provide for expenses and improvements for the City of Kerrville, Texas, during Fiscal Year 2022 (Oct. 1, 2021-Sept. 30, 2022); and

WHEREAS, City Council further finds that an ad valorem tax must be levied to provide for the payment of principal and interest on outstanding debt maturing in Fiscal Year 2022; and

WHEREAS, after due deliberation, study, and consideration of the proposed tax rate for Fiscal Year 2022, City Council has determined that adoption of the rate is in the best interest of the taxpayers of the City and it should be adopted in accordance with law;

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

SECTION ONE. There is hereby levied and there shall be collected for the use and support of the municipal government of the City of Kerrville, Texas, and to provide interest and sinking funds for the Fiscal Year 2022, a tax of **\$0.5093** on each one hundred dollars (\$100.00) valuation of all property, real, personal, and mixed, within the corporate limits of the City subject to taxation, for the specific purposes herein set forth:

A. For the current expenditures of the City of Kerrville and for the general improvement, use, and support of the City and its property, there is hereby levied and ordered to be assessed and collected for the Fiscal Year 2022 on all property situated within the corporate limits of the City, and not exempt from taxation by a valid law, an ad valorem tax rate of **\$0.4358** on each one hundred dollars (\$100.00) valuation of such property.

B. For the purpose of paying principal and interest and providing payments into various debt service funds for each issue of tax supported debt, there is hereby levied and ordered to be assessed and collected for the Fiscal Year 2022 on all property situated within the corporate limits of the City and not exempt

from taxation by a valid law, an ad valorem tax for each issue of debt described in this Section, the sum of such levies being **\$0.0735** on each one hundred dollars (\$100.00) valuation of such property.

SECTION TWO. The ad valorem taxes levied are due on October 1, 2021, and may be paid up to and including January 31, 2022, without penalty, but if not paid, such taxes are delinquent on February 1, 2022; provided, however, in accordance with Section 31.03(a) of the Texas Tax Code, the ad valorem taxes due hereunder may, at the option of the taxpayer, be paid in two payments without penalty or interest so long as the first payment of one-half of the taxes levied is paid before December 1, 2021, and the remaining one-half is paid before July 1, 2022.

SECTION THREE. No discounts are authorized on property tax payments made prior to January 31, 2022.

SECTION FOUR. All taxes become a lien upon the property against which assessed and the designated City tax collector for the City of Kerrville is authorized and empowered to enforce the collection of such taxes according to the Constitution and Laws of the State of Texas and ordinances of the City, and shall by virtue of the tax rolls, fix and establish a lien by levying upon such property, whether real or personal, for the payment of said taxes, penalty, and interest. All delinquent taxes shall bear interest and other charges from date of delinquency as prescribed by state law.

SECTION FIVE. THIS TAX RATE WILL RAISE MORE TAXES FOR MAINTENANCE AND OPERATIONS THAN LAST YEAR'S TAX RATE. THE TAX RATE WILL EFFECTIVELY BE RAISED BY 4.6% AND WILL RAISE TAXES FOR MAINTENANCE AND OPERATIONS ON A \$100,000 HOME BY APPROXIMATELY \$14.10.

FIRST READING:

[MOTION TO STATE AS FOLLOWS: *Motion to approve Ordinance No. 2021-21 and that the property tax rate be increased by the adoption of a tax rate of \$0.5093, which is effectively a 4.6% percent increase in the tax rate.*]

City Secretary to take record vote as follows:

	YES	NO
Bill Blackburn, Mayor	_____	_____
Roman Garcia, Place 1	_____	_____
Kim Clarkson, Place 2	_____	_____
Judy Eychner, Place 3	_____	_____
Brenda Hughes, Place 4	_____	_____

PASSED AND APPROVED ON FIRST READING, this the ____ day of _____, A.D., 2021.

SECOND READING:

[MOTION TO STATE AS FOLLOWS: *Motion to approve Ordinance No. 2021-21 and that the property tax rate be increased by the adoption of a tax rate of \$0.5093, which is effectively a 4.6% percent increase in the tax rate.*]

City Secretary to take record vote as follows:

	YES	NO
Bill Blackburn, Mayor	_____	_____
Roman Garcia, Place 1	_____	_____
Kim Clarkson, Place 2	_____	_____
Judy Eychner, Place 3	_____	_____
Brenda Hughes, Place 4	_____	_____

PASSED AND APPROVED ON SECOND AND FINAL READING, this the _____ day of _____, A.D., 2021.

Bill Blackburn, Mayor

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

ATTEST:

Shelley McElhannon, City Secretary



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

SUBJECT: Ordinance No. 2021-18, second reading. An Ordinance amending Chapter 60, Code of Ordinances, City of Kerrville, Texas; Chapter 60 more commonly known as the City's Zoning Code; by changing the zoning of a property known as 3210 Riverside Drive and out of the Wallace Survey No. 112, Abstract No. 360, and within the City of Kerrville, Kerr County, Texas; from a Single-Family Residential Zoning District (R-1) to a General Commercial Zoning District (C-3); providing a cumulative clause; providing for severability; providing an effective date; and ordering publication.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: Drew Paxton

EXHIBITS: [20210824_Ordinance 2021-18 Zone change 3210 Riverside second reading.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
\$0	\$0	\$0	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

Proposal

An ordinance to change the zoning from R-1 Single Family Residential to C-3 General Commercial on approximately 0.31 acres located within the Wallace Survey No. 112, Abstract No. A0360, Kerr County, Texas; and more commonly known as 3210 Riverside Drive.

Procedural Requirements

Ten letters were mailed 6/17/2021, to adjacent property owners. The public notice was

published in the Kerrville Daily Times on 6/10/2021. At the time of drafting this Agenda Bill, no comments had been received.

Staff Analysis and Recommendation

Consistency with the Kerrville 2050 Comprehensive Plan: The property and surrounding area are designated as Community Commercial. Having frontage on Loop 534 and adjacent to existing C-3 zoning, this request is consistent with the Kerrville 2050 Future Land Use Plan.

Adjacent Zoning and Land Uses:

Subject Property

Current Zoning: R-1

Existing Land Uses: single family residential

Direction: North

Current Zoning: C-3

Existing Land Uses: Vacant

Direction: South

Current Zoning: R-1, Guadalupe River, Loop 534 bridge

Existing Land Uses: vacant

Direction: East

Current Zoning: R-1 and C-2

Existing Land Uses: single family homes and convenience store

Direction: West

Current Zoning: C-3 and R-1

Existing Land Uses: vacant land and single family home

Thoroughfare Plan: The property is at the intersection of Riverside Drive and Loop 534. Access to Loop 534 is subject to TxDOT review.

Traffic Impact: To be determined at the time a project is proposed.

Parking: To be determined and subject to all zoning requirements.

Recommendation: Based on the consistency with the Kerrville 2050 Future Land Use Plan, staff recommends the case for approval.

On July 1st, the Planning and Zoning recommended the case for approval with a unanimous vote.

On August 10, 2021 City Council approved Ordinance No. 2021-18 on first reading.

RECOMMENDED ACTION:

Approve Ordinance No. 2021-18, on second reading.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2021-18**

AN ORDINANCE AMENDING CHAPTER 60, CODE OF ORDINANCES, CITY OF KERRVILLE, TEXAS; CHAPTER 60 MORE COMMONLY KNOWN AS THE CITY'S ZONING CODE; BY CHANGING THE ZONING OF A PROPERTY KNOWN AS 3210 RIVERSIDE DRIVE AND OUT OF THE WALLACE SURVEY NO. 112, ABSTRACT NO. 360, AND WITHIN THE CITY OF KERRVILLE, KERR COUNTY, TEXAS; FROM A SINGLE-FAMILY RESIDENTIAL ZONING DISTRICT (R-1) TO A GENERAL COMMERCIAL ZONING DISTRICT (C-3); PROVIDING A CUMULATIVE CLAUSE; PROVIDING FOR SEVERABILITY; PROVIDING AN EFFECTIVE DATE; AND ORDERING PUBLICATION

WHEREAS, pursuant to Texas Local Government Code Sections 211.006 and 211.007, notice has been given to all parties in interest and citizens by publication in the official newspaper for the City of Kerrville, Texas ("City"), and otherwise, of a hearing held before the City Council on August 10, 2021, which considered a report of the City's Planning and Zoning Commission regarding its recommendations on this Ordinance, the adoption of which will result in the change of a zoning district for the property located at 3210 Riverside Drive; such change to result in the removal of the property from a Single-Family Residential Zoning District (R-1) to placement within a General Commercial Zoning District (C-3); and

WHEREAS, on August 10, 2021, City Council held a public hearing on the zoning change referenced above pursuant to the published notice and has considered the application, comments, reports, and recommendations of the Planning and Zoning Commission and staff, public testimony, and other relevant support materials;

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

SECTION ONE. The Zoning Code, Chapter 60 of the Code of Ordinances of the City of Kerrville, Texas, and the *Official Zoning Map* are hereby amended to designate the following described property zoned as within a General Commercial Zoning District (C-3):

Legal Description: Being a certain tract of land, out of the Wallace Survey No. 112, Abstract No. 360, and within the City of Kerrville, Kerr County, Texas; said tract depicted at Exhibit A, attached hereto and made a part hereof for all purposes.

Address: 3210 Riverside Drive, Kerrville, TX 78028.

SECTION TWO. The City Manager, or designee, is authorized and directed to amend the City's *Official Zoning Map* to reflect the change in districts adopted herein and to take other actions contemplated by and in accordance with the City's Zoning Code.

SECTION THREE. The provisions of this Ordinance are 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 expressly repealed to the extent of any such inconsistency or conflict.

SECTION FOUR. The terms and provisions of this Ordinance shall be deemed to be severable in that if any portion of this Ordinance is declared to be invalid, the same shall not affect the validity of the other provisions of this Ordinance.

SECTION FIVE. Pursuant to Texas Local Government Code §52.013(a) and Section 3.07 of the City's Charter, the City Secretary is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

SECTION SIX. This Ordinance shall become effective immediately upon the expiration of ten days following publication, as provided for by Section 3.07 of the City Charter.

PASSED AND APPROVED ON FIRST READING, this the 10 day of August, A.D., 2021.

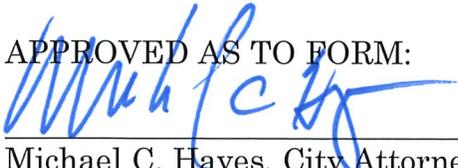
PASSED AND APPROVED ON SECOND AND FINAL READING, this the _____ of _____, A.D., 2021.

Bill Blackburn, Mayor

ATTEST:

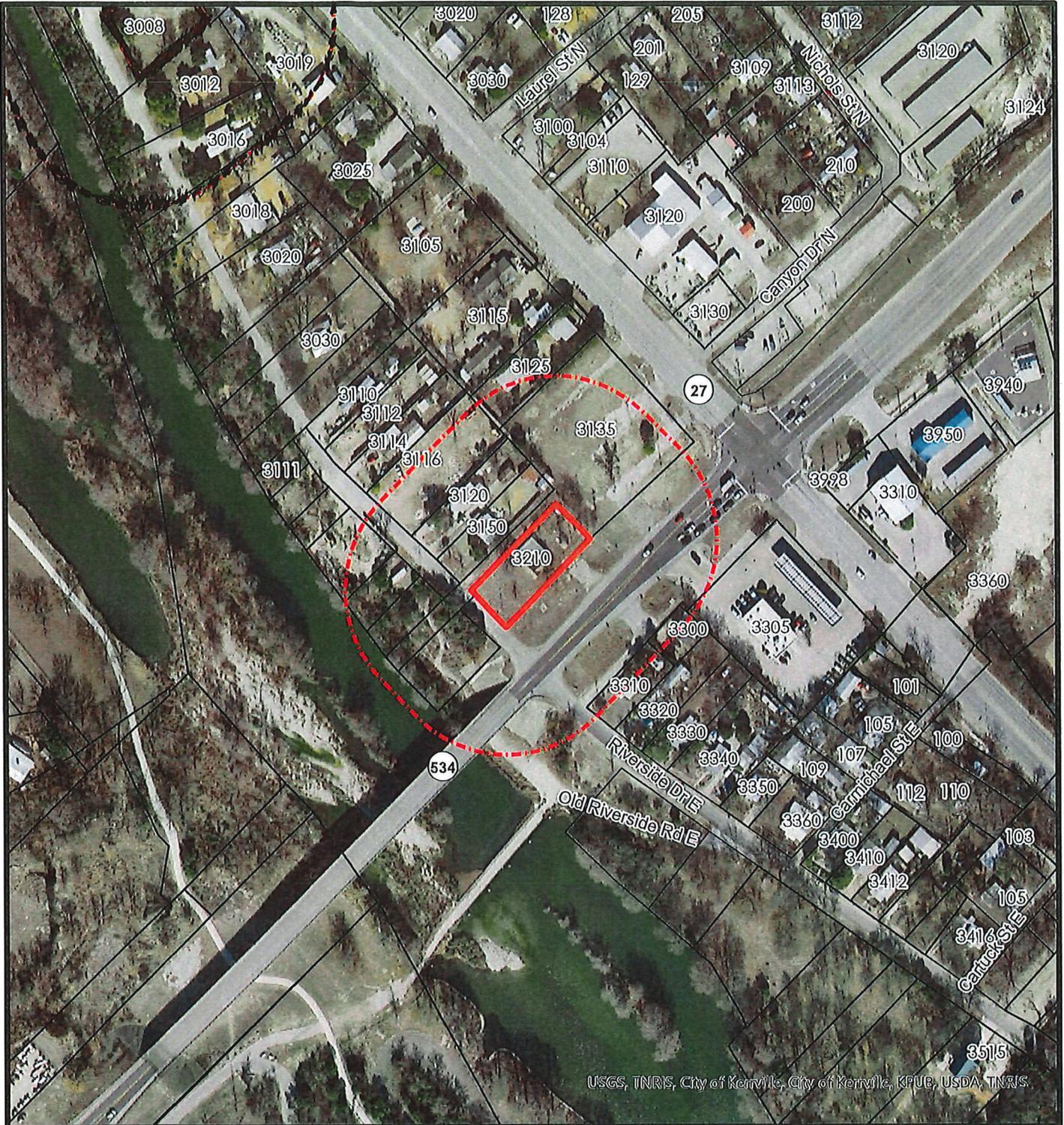
Shelley McElhannon, City Secretary

APPROVED AS TO FORM:



Michael C. Hayes, City Attorney

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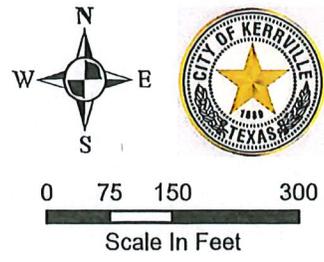
USGS, TNRS, City of Kerrville, City of Kerrville, KPUB, USDA, TNRS

Location Map

Case # PZ-2021-12

Location:
3210 Riverside Drive

Legend
200' Notification Area - - - - -
Subject Properties _ _ _ _ _



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

SUBJECT: Ordinance No. 2021-19, second reading. An Ordinance amending Chapter 60 of the Code of Ordinances, City of Kerrville, Texas, such chapter more commonly known as the City's Zoning Code; by changing the zoning of a property known as 501 Florence; consisting of Lot 19 and part of Lot 20, Block 25, Westland Place; within the City of Kerrville, Kerr County, Texas; from a Residential Transition Zoning District (RT) to a Neighborhood Commercial Zoning District (C-1); providing a cumulative clause; providing for severability; providing an effective date; ordering publication; and providing other matters relating to the subject.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: Drew Paxton

EXHIBITS: [20210824_Ordinance 2019-19 Zone change 501 Florence second reading.pdf](#)

Expenditure Required:	Remaining Budget Balance in Account:	Amount Budgeted:	Account Number:
\$0	\$0	\$0	N/A

PAYMENT TO BE MADE TO: N/A

Kerrville 2050 Item?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

Proposal

An ordinance to change the zoning from R-T Residential Transition to C-1 Neighborhood Commercial on Lot 19, Part 20, Block 25, Westland Place; and generally located 501 Florence Street.

Procedural Requirements

29 letters were mailed 6/17/2021 to adjacent property owners. The public notice was

published in the Kerrville Daily Times on 6/10/2021. At the time of drafting this Agenda Bill, no comments had been received.

Staff Analysis and Recommendation

Consistency with the Kerrville 2050 Comprehensive Plan: The property and surrounding area are within the Strategic Catalyst Area 4. SCA 4 is situated along Junction Highway and stretches from Ingram to the center part of Kerrville. The place types range from light industrial on the western end, to Community Commercial on the eastern end and near Nimitz Lake. This request for C-1, Neighborhood Commercial, is consistent with the SCA 4 and the Kerrville 2050 Comprehensive Plan.

Zoning Code:

The Neighborhood Commercial District allows the offering of goods and services of a limited, low-intensity nature to both individuals and businesses. These activities, which include shopping for daily needs and professional services, are typically:

- a. Provided in an office setting;
- b. Sought on a frequent or recurring basis; and
- c. Tend to be located in small buildings, with one or only a few businesses, and on small lots.

C-1 zoning should be located along or at the intersection(s) of arterials and collector streets to provide access to customers and to accommodate the traffic associated with these uses. If properly designed, development and uses in the C-1 district can buffer residential areas from higher-volume roadways or more intense nonresidential uses.

Neighborhood-oriented retail, business and personal service, banks and financial institutions, and office uses such as barber and beauty shops, grocery stores, restaurants, and clothing stores in buildings of a limited size, certain public and institutional uses, and activities allowed subject to the approval of a conditional use permit.

Adjacent Zoning and Land Uses:

Subject Property

Current Zoning: RT

Existing Land Uses: Vacant office building

Direction: North

Current Zoning: R-1A

Existing Land Uses: single family residential

Direction: South

Current Zoning: C-2

Existing Land Uses: retail

Direction: East

Current Zoning: C-2 and R-1A

Existing Land Uses: retail and single family residential

Direction: West

Current Zoning: C-2 and R-1A

Existing Land Uses: carwash and single family residential

Thoroughfare Plan: With access to two local neighborhood streets, less than one block from Junction Highway (arterial) there should be little to no impact on the thoroughfare system.

Traffic Impact: With primary access on the local level street, less than one block from Junction Highway, there should be little impact on traffic.

Parking: To be determined and as required by the Zoning Code for the proposed uses.

Recommendation: Based on the consistency with the zoning code and Kerrville 2050 Plan, staff recommends the case for approval.

On July 1st, the Planning and Zoning Commission recommended the case for approval with a unanimous vote.

On August 10, 2021 City Council approved Ordinance No. 2021-19 on first reading.

RECOMMENDED ACTION:

Approve Ordinance No. 2021-19, second reading.

**CITY OF KERRVILLE, TEXAS
ORDINANCE NO. 2021-19**

AN ORDINANCE AMENDING CHAPTER 60 OF THE CODE OF ORDINANCES, CITY OF KERRVILLE, TEXAS, SUCH CHAPTER MORE COMMONLY KNOWN AS THE CITY'S ZONING CODE; BY CHANGING THE ZONING OF A PROPERTY KNOWN AS 501 FLORENCE; CONSISTING OF LOT 19 AND PART OF LOT 20, BLOCK 25, WESTLAND PLACE; WITHIN THE CITY OF KERRVILLE, KERR COUNTY, TEXAS; FROM A RESIDENTIAL TRANSITION ZONING DISTRICT (RT) TO A NEIGHBORHOOD COMMERCIAL ZONING DISTRICT (C-1); PROVIDING A CUMULATIVE CLAUSE; PROVIDING FOR SEVERABILITY; PROVIDING AN EFFECTIVE DATE; ORDERING PUBLICATION; AND PROVIDING OTHER MATTERS RELATING TO THE SUBJECT

WHEREAS, pursuant to Texas Local Government Code Sections 211.006 and 211.007, notice has been given to all parties in interest and citizens by publication in the official newspaper for the City of Kerrville, Texas ("City"), and otherwise, of a hearing held before the City Council on August 10, 2021, which considered a report of the City's Planning and Zoning Commission regarding its recommendations on this Ordinance, the adoption of which will result in the change of a zoning district for the property located at 501 Florence; such change to result in the removal of the property from a Residential Transition Zoning District (RT) to placement within a Neighborhood Commercial Zoning District (C-1); and

WHEREAS, on August 10, 2021, City Council held a public hearing on the zoning change referenced above pursuant to the published notice and has considered the application, comments, reports, and recommendations of the Planning and Zoning Commission and staff, public testimony, and other relevant support materials;

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

SECTION ONE. The Zoning Code for the City of Kerrville, Texas, Chapter 60 of the Code of Ordinances of the City of Kerrville, Texas, and the *Official Zoning Map* are hereby amended to designate the following described property zoned as within a Neighborhood Commercial Zoning District (C-1):

Legal Description: Being a certain tract of land, consisting of Lot 19 and part of Lot 20, Block 25, out of Westland Place, and within the City of Kerrville, Kerr County, Texas; said tract depicted at Exhibit A,

attached hereto and made a part hereof for all purposes.

Address: 501 Florence, Kerrville, TX 78028.

SECTION TWO. The City Manager or designee is authorized and directed to amend the City's *Official Zoning Map* to reflect the change in districts adopted herein and to take other actions contemplated by and in accordance with the City's Zoning Code.

SECTION THREE. The provisions of this Ordinance are 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 expressly repealed to the extent of any such inconsistency or conflict.

SECTION FOUR. The terms and provisions of this Ordinance shall be deemed to be severable in that if any portion of this Ordinance is declared to be invalid, the same shall not affect the validity of the other provisions of this Ordinance.

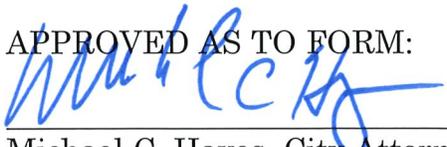
SECTION FIVE. Pursuant to Texas Local Government Code §52.013(a) and Section 3.07 of the City's Charter, the City Secretary is hereby authorized and directed to publish the descriptive caption of this Ordinance in the manner and for the length of time prescribed by the law as an alternative method of publication.

SECTION SIX. This Ordinance shall become effective immediately upon the expiration of ten days following publication, as provided for by Section 3.07 of the City Charter.

PASSED AND APPROVED ON FIRST READING, this the 10 day of August, A.D., 2021.

PASSED AND APPROVED ON SECOND AND FINAL READING, this the ____ of _____, A.D., 2021.

APPROVED AS TO FORM:

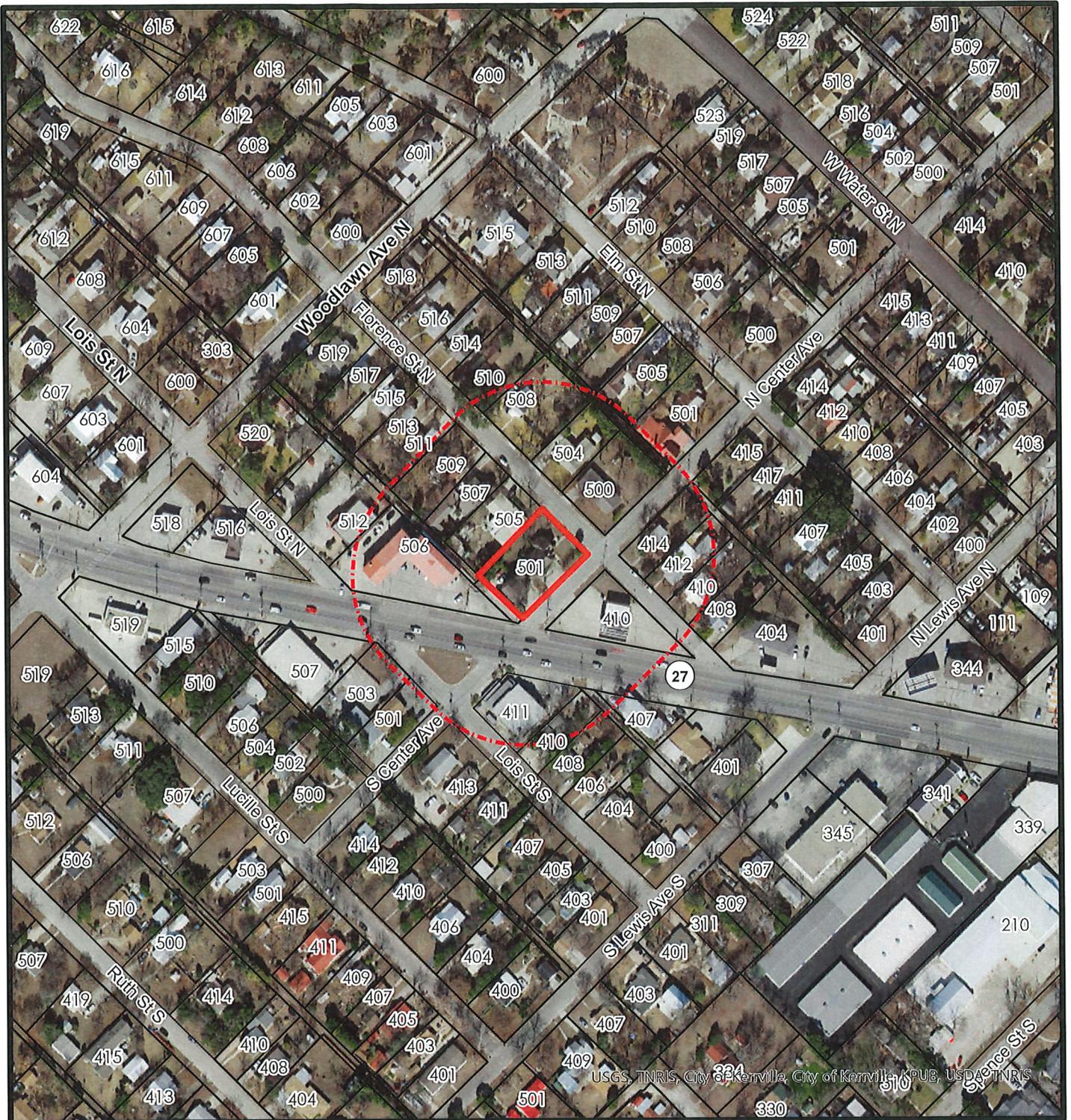


Michael C. Hayes, City Attorney

Bill Blackburn, Mayor

ATTEST:

Shelley McElhannon, City Secretary



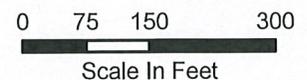
Location Map

Case # PZ-2021-13

Location:
501 Florence Street

Legend

200' Notification Area 
Subject Properties 



This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only approximate relative locations.



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

SUBJECT: Resolution No. 38-2021. A Resolution approving negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corp., regarding the Company’s 2021 Rate Review Mechanism Filing.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 13, 2021

SUBMITTED BY: Mike Hayes

EXHIBITS: [20210824_Resolution_38-2021 Atmos Energy 2021 RRM.pdf](#)

Expenditure Required:	Remaining Budget 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?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

BACKGROUND AND SUMMARY:

The City, along with 171 other Mid-Texas cities served by Atmos Energy Corporation, Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC”). In 2007, ACSC and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301, Texas Utilities Code, for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism (“RRM”), as a substitute for future filings under the GRIP statute.

Since 2007, there have been several modifications to the original RRM Tariff. The most recent iteration of an RRM Tariff was reflected in an ordinance adopted by ACSC members in 2018, including the City. On or about April 1, 2021, the Company filed a rate

request pursuant to the RRM Tariff adopted by ACSC members. The Company claimed that its cost-of-service in a test year ending December 31, 2020, entitled it to additional system-wide revenues of \$43.4 million.

Application of the standards set forth in ACSC's RRM Tariff reduces the Company's request to \$40.5 million, \$29.3 million of which would be applicable to ACSC members. ACSC's consultants concluded that the system-wide deficiency under the RRM regime should be \$22.34 million instead of the claimed \$40.5 million. The amount of the \$22.34 million deficiency applicable to ACSC members would be \$16.8 million.

After the Company reviewed ACSC's consultants' report, ACSC's Executive Committee, made up of member cities, and the Company negotiated a settlement whereby the Company would receive an increase of \$22.78 million from ACSC Cities, but with a two-month delay in the Effective Date until December 1, 2021. This should save ACSC cities approximately \$3.8 million.

The Executive Committee recommends a settlement at \$22.78 million, with an Effective Date for new rates on December 1, 2021. ACSC members should take action approving the Resolution before October 1, 2021.

PROOF OF REVENUES:

Atmos generated proof that the rate tariffs attached to the Resolution will generate \$22.78 million in additional revenues from ACSC Cities. That proof is attached as Attachment 1 to this Staff Report. ACSC consultants have agreed that Atmos' Proof of Revenues is accurate.

BILL IMPACT:

The impact of the settlement on average residential rates is an increase of \$1.28 on a monthly basis, or 2.2 percent. The increase for average commercial usage will be \$4.03 or 1.61 percent. A bill impact comparison is attached as Attachment 2.

SUMMARY OF ACSC'S OBJECTION TO THE UTILITIES CODE SECTION

104.301 GRIP PROCESS:

ACSC strongly opposed the GRIP process because it constitutes piecemeal ratemaking by ignoring declining expenses and increasing revenues while rewarding the Company for increasing capital investment on an annual basis. The GRIP process does not allow any review of the reasonableness of capital investment and does not allow cities to participate in the Railroad Commission's review of annual GRIP filings or allow recovery of Cities' rate case expenses. The Railroad Commission undertakes a mere administrative review of GRIP filings (instead of a full hearing) and rate increases go into effect without any material adjustments. In ACSC's view, the GRIP process unfairly raises customers' rates without any regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as

capital investment.

RRM SAVINGS OVER GRIP:

While residents outside municipal limits must pay rates governed by GRIP, there are some cities served by Atmos Mid-Tex that chose to remain under GRIP rather than adopt RRM. Additionally, the City of Dallas adopted a variation of RRM which is referred to as DARR. When new rates become effective on December 1, 2021, ACSC residents will maintain an economic monthly advantage over GRIP and DARR rates. See Attachment 3.

EXPLANATION OF “BE IT RESOLVED” PARAGRAPHS WITHIN THE RESOLUTION:

1. This section approves all findings in the Resolution.
2. This section adopts the RRM rate tariffs and finds the adoption of the new rates to be just, reasonable, and in the public interest.
3. This section makes it clear that Cities may challenge future costs associated with gas leaks like the explosion in North Dallas or the evacuation in Georgetown.
4. This section finds that existing rates are unreasonable. Such finding is a necessary predicate to establishment of new rates. The new tariffs will permit Atmos Mid-Tex to recover an additional \$22.78 million from ACSC Cities.
5. This section approves an exhibit that establishes a benchmark for pensions and retiree medical benefits to be used in future rate cases or RRM filings.
6. This section approves an exhibit to be used in future rate cases or RRM filings regarding recovery of regulatory liabilities, such as excess deferred income taxes.
7. This section requires the Company to reimburse the City for expenses associated with review of the RRM filing, settlement discussions, and adoption of the Resolution approving new rate tariffs.
8. This section repeals any resolution or ordinance that is inconsistent with the Resolution.
9. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
10. This section is a savings clause, which provides that if any section is later found to be unconstitutional or invalid, that finding shall not affect, impair, or invalidate the remaining provisions of this Resolution. This section further directs that the remaining provisions of the Resolution are to be interpreted as if the offending section or clause never existed.
11. This section provides for an effective date upon passage. December 1, 2021 represents a two month delay in the Effective Date established by the RRM tariff.
12. This section directs that a copy of the signed Resolution be sent to a representative

of the Company and legal counsel for ACSC.

CONCLUSION:

The Legislature's GRIP process allowed gas utilities to receive annual rate increases associated with capital investments. The RRM process has proven to result in a more efficient and less costly, both from a consumer rate impact perspective and from a ratemaking perspective, than the GRIP process. Given Atmos Mid-Tex's claim that its historic cost of service should entitle it to recover \$43.4 million in additional system-wide revenues, the RRM settlement at \$22.78 million for ACSC Cities reflects substantial savings to ACSC Cities. Settlement at \$22.78 million, plus \$3.8 million of additional savings due to the two-month delay, is fair and reasonable. The ACSC Executive Committee consisting of city employees of 18 ACSC members urges all ACSC members to pass the Resolution before October 1, 2021. New rates become effective December 1, 2021.

RECOMMENDED ACTION:

Adoption of Resolution No. 38-2021.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 38-2021**

A RESOLUTION APPROVING A NEGOTIATED SETTLEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE (“ACSC”) AND ATMOS ENERGY CORP., MID-TEX DIVISION REGARDING THE COMPANY’S 2021 RATE REVIEW MECHANISM FILING; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT; FINDING THE RATES TO BE SET BY THE ATTACHED SETTLEMENT TARIFFS TO BE JUST AND REASONABLE AND IN THE PUBLIC INTEREST; APPROVING AN ATTACHED EXHIBIT ESTABLISHING A BENCHMARK FOR PENSIONS AND RETIREE MEDICAL BENEFITS; APPROVING AN ATTACHED EXHIBIT REGARDING AMORTIZATION OF REGULATORY LIABILITY; REQUIRING THE COMPANY TO REIMBURSE ACSC’S REASONABLE RATEMAKING EXPENSES; DETERMINING THAT THIS RESOLUTION WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS RESOLUTION TO THE COMPANY AND THE ACSC’S LEGAL COUNSEL

WHEREAS, the City of Kerrville, Texas (“City”) is a gas utility customer of Atmos Energy Corp., Mid-Tex Division (“Atmos Mid-Tex” or “Company”), and a regulatory authority with an interest in the rates, charges, and services of Atmos Mid-Tex; and

WHEREAS, City is a member of the Atmos Cities Steering Committee (“ACSC”), a coalition of similarly-situated cities served by Atmos Mid-Tex (“ACSC Cities”) that have joined together to facilitate the review of, and response to, natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, ACSC and the Company worked collaboratively to develop a new Rate Review Mechanism (“RRM”) tariff that allows for an expedited rate review process by ACSC Cities as a substitute to the Gas Reliability Infrastructure Program (“GRIP”) process instituted by the Legislature, and that will establish rates for the ACSC Cities based on the system-wide cost of serving the Atmos Mid-Tex Division; and

WHEREAS, the current RRM tariff was adopted by the City in a rate ordinance in 2018; and

WHEREAS, on about April 21, 2021, Atmos Mid-Tex filed its 2020 RRM rate request with ACSC Cities based on a test year ending December 31, 2020; and

WHEREAS, ACSC coordinated its review of the Atmos Mid-Tex 2021 RRM filing through its Executive Committee, assisted by ACSC's attorneys and consultants, to resolve issues identified in the Company's RRM filing; and

WHEREAS, the Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities approve an increase in base rates for Atmos Mid-Tex of \$22.78 million applicable to ACSC Cities with an Effective Date of December 1, 2021; and

WHEREAS, ACSC agrees that Atmos plant-in-service is reasonable; and

WHEREAS, with the exception of approved plant-in-service, ACSC is not foreclosed from future reasonableness evaluation of costs associated with incidents related to gas leaks; and

WHEREAS, the two month delayed Effective Date from October 1 to December 1 will save ACSC ratepayers approximately \$3.8 million off new rates imposed by the attached tariffs (**Exhibit A**); and

WHEREAS, the attached tariffs (**Exhibit A**) implementing new rates are consistent with the recommendation of the ACSC Executive Committee, are agreed to by the Company, and are just, reasonable, and in the public interest; and

WHEREAS, the settlement agreement sets a new benchmark for pensions and retiree medical benefits (**Exhibit B**); and

WHEREAS, the settlement agreement establishes an amortization schedule for regulatory liability prepared by Atmos Mid-Tex (**Exhibit C**); and

WHEREAS, the RRM Tariff contemplates reimbursement of ACSC's reasonable expenses associated with RRM applications;

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

SECTION ONE. The findings set forth in this Resolution are hereby in all things approved.

SECTION TWO. Without prejudice to future litigation of any issue identified by ACSC, City Council finds that the settled amount of an increase in revenues of \$22.78 million for ACSC Cities represents a comprehensive settlement of gas utility rate issues affecting the rates, operations, and services offered by Atmos Mid-Tex within the municipal limits arising from Atmos Mid-Tex's 2021 RRM filing, is in the public interest, and is consistent with the City's authority under Section 103.001 of the Texas Utilities Code.

SECTION THREE. Despite finding Atmos Mid-Tex's plant-in-service to be reasonable, ACSC is not foreclosed in future cases from evaluating the reasonableness of costs associated with incidents involving leaks of natural gas.

SECTION FOUR. The existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable. The new tariffs attached hereto and incorporated herein as **Exhibit A**, are just and reasonable, and are designed to allow Atmos Mid-Tex to recover annually an additional \$22.78 million from customers in ACSC Cities, over the amount allowed under currently approved rates. Such tariffs are hereby adopted.

SECTION FIVE. The ratemaking treatment for pensions and retiree medical benefits in Atmos Mid-Tex's next RRM filing shall be as set forth on **Exhibit B**, attached hereto and incorporated herein.

SECTION SIX. Subject to any future settlement or decision regarding the balance of Excess Deferred Income Tax to be refunded to ratepayers, the amortization of regulatory liability shall be consistent with the schedule found in **Exhibit C**, attached hereto and incorporated herein.

SECTION SEVEN. Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC in processing the Company's 2021 RRM filing.

SECTION EIGHT. To the extent any resolution or ordinance previously adopted by City Council is inconsistent with this Resolution, it is hereby repealed.

SECTION NINE. The meeting at which this Resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

SECTION TEN. If any one or more sections or clauses of this Resolution is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Resolution, and the remaining provisions of the Resolution shall be interpreted as if the offending section or clause never existed.

SECTION ELEVEN. Consistent with the City Ordinance that established the RRM process, this Resolution shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after December 1, 2021.

SECTION TWELVE. A copy of this Resolution shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs Mid-Tex Division, Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Thomas Brocato, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

PASSED AND APPROVED ON this the ____ day of _____ A.D., 2021.

Bill Blackburn, Mayor

APPROVED AS TO FORM:

ATTEST:



Michael C. Hayes, City Attorney

Shelley McElhannon, City Secretary

Exhibit A
to 2021 RRM Resolution or Ordinance

Mid-Tex Tariffs
Effective December 1, 2021

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Application

Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 20.85 per month
Rider CEE Surcharge	\$ 0.05 per month ¹
Total Customer Charge	\$ 20.90 per month
Commodity Charge – All <u>Ccf</u>	\$0.27979 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

¹Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2021.

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE: Page

Application

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 30,000 Ccf.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 56.50 per month
Rider CEE Surcharge	\$ 0.01 per month ¹
Total Customer Charge	\$ 56.51 per month
Commodity Charge – All Ccf	\$ 0.12263 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

¹ Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2021.

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Application

Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 1,054.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.4330 per MMBtu
Next 3,500 MMBtu	\$ 0.3171 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0680 per MMBtu

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Curtailed Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 1,054.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.4330 per MMBtu
Next 3,500 MMBtu	\$ 0.3171 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0680 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Provisions for Adjustment

The Commodity Charge per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The five regional weather stations are Abilene, Austin, Dallas, Waco, and Wichita Falls.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- $WNAF_i$ = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per Ccf
- R_i = Commodity Charge rate of temperature sensitive sales for the i^{th} schedule or classification.
- HSF_i = heat sensitive factor for the i^{th} schedule or classification divided by the average bill count in that class
- NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.
- ADD = billing cycle actual heating degree days.
- BL_i = base load sales for the i^{th} schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the j th customer in i th rate schedule is computed as:

$$WNA_{ij} = WNAF_i \times q_{ij}$$

Where q_{ij} is the relevant sales quantity for the j th customer in i th rate schedule.

MID-TEX DIVISION
 ATMOS ENERGY CORPORATION

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION UNDER THE RRM TARIFF	
EFFECTIVE DATE:	Bills Rendered on or after 12/01/2021	PAGE:

Base Use/Heat Use Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>
Abilene	11.88	0.1459	85.39	0.6996
Austin	10.34	0.1452	194.82	0.9398
Dallas	15.21	0.1915	148.19	1.0986
Waco	10.63	0.1373	130.39	0.7436
Wichita Falls	12.63	0.1398	109.17	0.5803

Weather Normalization Adjustment (WNA) Report

On or before June 1 of each year, the company posts on its website at atmosenergy.com/mtx-wna, in Excel format, a *Weather Normalization Adjustment (WNA) Report* to show how the company calculated its WNAs factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and an Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.

Exhibit B
to 2021 RRM Resolution or Ordinance

Mid-Tex
2021 Benchmark for Pensions
and Retiree Benefits

ATMOS ENERGY CORP., MID-TEX DIVISION
PENSIONS AND RETIREE MEDICAL BENEFITS FOR CITIES APPROVAL
TEST YEAR ENDING DECEMBER 31, 2020

Line No.	Description (a)	Shared Services (b)		Mid-Tex Direct (e)		Adjustment Total (g)
		Pension Account Plan	Post-Employment Benefit Plan (c)	Pension Account Plan	Supplemental Executive Benefit Plan	
1	Proposed Benefits Benchmark - Fiscal Year 2021 Willis Towers Watson Report as adjusted (1) (2) (3)	\$ 2,917,949	\$ 4,908,358	\$ 5,447,063	\$ 293,818	\$ 6,600,073
2	Allocation to Mid-Tex	43.68%	43.68%	76.11%	100.00%	76.11%
3	Proposed Benefits Benchmark Costs Allocated to Mid-Tex (Ln 1 x Ln 2)	\$ 1,274,655	\$ 2,144,130	\$ 4,145,546	\$ 293,818	\$ 5,023,057
4	O&M and Capital Allocation Factor	100.00%	100.00%	100.00%	100.00%	100.00%
5	Proposed Benefits Benchmark Costs to Approve (Ln 3 x Ln 4) (3)	\$ 1,274,655	\$ 2,144,130	\$ 4,145,546	\$ 293,818	\$ 5,023,057
6						
7	Summary of Costs to Approve (1):					
8		75.07%	75.07%	38.66%	11.00%	38.66%
9	O&M Expense Factor (WP_F-2.3, Ln 2)					
10		75.07%	75.07%	38.66%	11.00%	38.66%
11						
12	Total Pension Account Plan	\$ 956,873	\$ 1,609,582	\$ 1,602,484	\$ 32,322	\$ 2,559,357
13	Total Post-Employment Benefit Plan					\$ 3,551,272
14	Total Supplemental Executive Benefit Plan					32,322
15	Total (Ln 13 + Ln 14 + Ln 15)	\$ 956,873	\$ 1,609,582	\$ 1,602,484	\$ 32,322	\$ 6,142,952
16						
17						

Notes:

1. Studies not applicable to Mid-Tex or Shared Services are omitted.
2. Mid-Tex is proposing that the Fiscal Year 2021 Willis Towers Watson actuarial amounts shown on WP_F-2.3 and WP_F-2.3.1, be approved by the RRM Cities as the benchmark amounts to be used to calculate the regulatory asset or liability for future periods. The benchmark amount approved by the RRM Cities for future periods includes only the expense amount. The amount attributable to capital is recorded to utility plant through the overhead process as described in the CAM.
3. SSU amounts exclude cost centers which do not allocate to Mid-Tex for rate making purposes.

Exhibit C
to 2021 RRM Resolution or Ordinance

Mid-Tex 2021 Schedule for
Amortization for Regulatory Liability

**Attachment 1 to
Model Staff Report**

2021 RRM

Proof of Revenues

ATMOS ENERGY CORP., MID-TEX DIVISION
RRM CITIES RATE REVIEW MECHANISM
PROOF OF REVENUES - RRM CITIES
TEST YEAR ENDING DECEMBER 31, 2020

Line No.	Customer Class (a)	Current (b)	Proposed (c)	Bills (d)	Ccf/MmBtu (e)	Current Revenues (f)	Proposed Revenues (g)	Increase (h)
1	Residential							
2	Customer Charge	\$ 20.25	\$ 20.85	13,861,632		\$ 280,698,048	\$ 289,015,027	\$ 8,316,979
3	Consumption Charge	0.26651	0.27979		627,298,034	167,181,199	175,511,717	\$ 8,330,518
4	Revenue Related Taxes					30,398,805	31,528,717	
5	Total Class Revenue					\$ 478,278,052	\$ 496,055,461	\$ 17,777,409
6	Commercial							
7	Customer Charge	\$ 54.50	\$ 56.50	1,094,352		\$ 59,642,184	\$ 61,830,888	\$ 2,188,704
8	Consumption Charge	0.11728	0.12263		363,850,875	42,672,431	44,619,033	\$ 1,946,602
9	Revenue Related Taxes					6,944,376	7,225,051	
10	Total Class Revenue					\$ 109,258,991	\$ 113,674,972	\$ 4,415,981
11	Industrial & Transportation							
12	Customer Charge	\$ 1,014.50	\$ 1,054.75	7,056		\$ 7,158,312	\$ 7,442,316	\$ 284,004
13	Consumption Charge Tier 1	\$ 0.4157	\$ 0.4330		7,479,741	3,109,328	3,238,728	\$ 129,400
14	Consumption Charge Tier 2	\$ 0.3044	\$ 0.3171		8,282,846	2,521,298	2,626,490	\$ 105,192
15	Consumption Charge Tier 3	\$ 0.0653	\$ 0.0680		13,018,926	850,136	885,287	\$ 35,151
16	Revenue Related Taxes					925,722	963,306	
17	Total Class Revenue					\$ 14,564,796	\$ 15,156,127	\$ 591,331
18	Total Excluding Other Revenue					\$ 602,101,840	\$ 624,886,561	\$ 22,784,721
19	Revenue Related Tax Factor		6.7873%					\$ 21,336,550

**Attachment 2
to 2021 RRM Staff Report**

Bill Impact

ATMOS ENERGY CORP., MID-TEX DIVISION
 AVERAGE BILL COMPARISON - BASE RATES
 TEST YEAR ENDING DECEMBER 31, 2020

Line No.	Rate R @ 45.2 Ccf	Current	Proposed	Change
1	Customer charge	\$ 20.25		
2	Consumption charge	12.05		
3	Rider GCR Part A	7.23		
4	Rider GCR Part B	15.06		
5	Subtotal	\$ 54.59		
6	Rider FF & Rider TAX	3.71		
7	Total	\$ 58.30		
8				
9				
10	Customer charge		20.85	
11	Consumption charge		12.65	
12	Rider GCR Part A		7.23	
13	Rider GCR Part B		15.06	
14	Subtotal		55.79	
15	Rider FF & Rider TAX		3.79	
16	Total		59.58	1.28
17				2.20%
18				
19	Rate C @ 332.5 Ccf			
20	Customer charge	\$ 54.50		
21	Consumption charge	38.99		
22	Rider GCR Part A	53.20		
23	Rider GCR Part B	87.51		
24	Subtotal	\$ 234.20		
25	Rider FF & Rider TAX	15.90		
26	Total	\$ 250.10		
27				
28	Customer charge		56.50	
29	Consumption charge		40.77	
30	Rider GCR Part A		53.20	
31	Rider GCR Part B		87.51	
32	Subtotal		237.98	
33	Rider FF & Rider TAX		16.15	
34	Total		254.13	4.03
35				1.61%

**Attachment 3
to 2021 RRM Staff Report**

RRM Monthly Savings Over GRIP and DARR Rates

**ATMOS ENERGY CORP., MID-TEX DIVISION
RESIDENTIAL AVERAGE BILL COMPARISON
(EXCLUDING GAS COSTS)**

	ACSC Settled	DARR Settled	ATM Filing	ENVIRONS Filing
Customer Charge	\$20.85	\$23.80	\$27.68	\$25.90
Monthly Ccf [1]	45.2	52.7	45.2	45.2
Consumption Charge	\$0.27979	\$0.19526	\$0.14846	\$0.18653
Average Monthly Bill	\$33.50	\$34.09	\$34.39	\$34.33
		-\$0.60	-\$0.89	-\$0.83

[1] Recognizes that average normal usage for Dallas residential customers is greater than Mid-Tex average.



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

SUBJECT: City's ongoing preparedness and response to COVID-19 (Coronavirus); and Declaration of local state of disaster due to a public health emergency, Review of Declaration of local state of disaster due to a public health emergency, March 20, 2020.

AGENDA DATE OF: August 24, 2021 **DATE SUBMITTED:** Aug 12, 2021

SUBMITTED BY: Eric Maloney

EXHIBITS: [20200922_Resolution_16-2020 Extending Mayor's Disaster Declaration Covid-19 7-28-20.pdf](#)

Expenditure Required:	Remaining Budget 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?	No
Key Priority Area	N/A
Guiding Principle	N/A
Action Item	N/A

SUMMARY STATEMENT:

This is a regular briefing on the responsiveness to changing conditions and situations related to Covid 19, as well as an opportunity to review the Disaster Declaration revised March 20, 2020.

RECOMMENDED ACTION:

Discussion and possible review of the declaration.

**CITY OF KERRVILLE, TEXAS
RESOLUTION NO. 16-2020**

A RESOLUTION AUTHORIZED BY SECTION 418.108(B) OF THE TEXAS GOVERNMENT CODE EXTENDING THE MAYOR'S DECLARATION THAT COVID-19 (CORONAVIRUS) POSES AN IMMINENT THREAT OF DISASTER WITHIN THE CITY OF KERRVILLE AND DECLARING A STATE OF DISASTER WITHIN THE CITY

WHEREAS, on March 16, 2020, Mayor Bill Blackburn, acting in accordance with authority granted to him under the City's Charter and Section 418.108(a) of the Texas Government Code, declared a local state of disaster ("disaster declaration") for the City due to concerns related to the coronavirus disease 2019 (COVID-19); and

WHEREAS, the Mayor revised and reissued the disaster declaration on March 18, 2020 and March 19, 2020 to account for new information and health recommendations; and

WHEREAS, Section 418.108(b) of the Texas Government Code provides that the disaster declaration may not be continued for a period of more than seven days except with the consent of City Council; and

WHEREAS, City Council, pursuant to its adoption of Resolution No. 06-2020 consented to the Mayor's declaration and extended it in accordance with state law; and

WHEREAS, the Mayor, on today's date, has issued a revised declaration, which revises his previously issued declaration to update it to current conditions and needs; and

WHEREAS, City Council believes that the conditions necessitating the disaster declaration will continue to exist for a period of more than seven days; and

WHEREAS, City Council supports the disaster declaration signed by Mayor Bill Blackburn on July 28, 2020, and consents to its continuation for a period of more than seven days;

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

City Council hereby ratifies the disaster declaration signed by Mayor Bill Blackburn on July 28, 2020 and consents to its continuation indefinitely or until such time as it is terminated by order of the Council. Said declaration is attached hereto as **Exhibit A**.

PASSED AND APPROVED ON this the 28 day of July, A.D., 2020.

ATTEST:


Shelley McElhannon, City Secretary


Bill Blackburn, Mayor

APPROVED AS TO FORM:


Michael C. Hayes, City Attorney

**DECLARATION OF LOCAL STATE OF DISASTER DUE TO A PUBLIC
HEALTH EMERGENCY – EXTENDED (4th Declaration)**

**A DECLARATION OF THE MAYOR OF THE CITY OF
KERRVILLE, TEXAS, DECLARING THAT COVID-19
(CORONAVIRUS) REMAINS AN IMMINENT THREAT OF
DISASTER WITHIN THE CITY OF KERRVILLE AND
EXTENDING THE DECLARATION OF A STATE OF DISASTER
WITHIN THE CITY; AND PROVIDING AN EFFECTIVE DATE**

WHEREAS, the City of Kerrville, Texas (the “City”) from on or before the 16th day of March 2020, prepared for damage, injury, or loss of life resulting from the novel coronavirus (COVID-19), which has been recognized globally as a contagious respiratory virus; and

WHEREAS, it is critical that the City continue taking actions to respond to and mitigate the spread of COVID-19 to protect the health and welfare of the public; and

WHEREAS, extending the City’s *Declaration of Local State of Disaster Due to a Public Health Emergency* will continue to help facilitate and expedite the use and deployment of resources to enhance the City’s ongoing response and mitigation to COVID-19; and

WHEREAS, on March 13, 2020, the Governor of the State of Texas certified that COVID-19 poses an imminent threat of disaster and declared a state of disaster for all counties in Texas, has extended his declaration several times, and to date, has issued approximately twenty-two orders, many of which remain in effect, in an effort to mitigate said disaster; and

WHEREAS, the Texas Department of State Health Services (“DSHS”) has previously determined, including an updated declaration issued on May 15, 2020, that as of March 19, 2020, COVID-19 represented and continues to represent a public health disaster within the meaning of Chapter 81 of the Texas Health and Safety Code; and

WHEREAS, the Mayor urges all citizens of Kerrville and this community to continue to monitor government websites such as the Centers of Disease Control and Prevention (“CDC”), DSHS, and the Texas Governor as well as news sources in an attempt to remain aware and vigilant about COVID-19 and the evolving situation; and

WHEREAS, the Mayor, in seeking information from national, state, and local experts continues to believe that extraordinary measures must continue to be taken to respond to and to mitigate the spread of COVID-19 and its impact to the public health and welfare;

NOW, THEREFORE, BE IT PROCLAIMED BY THE MAYOR OF KERRVILLE:

SECTION ONE. Extending Declaration of Local State of Disaster. A local state of disaster (“disaster declaration”) was previously declared for the City of Kerrville, Texas, pursuant to Section 418.108(a), Texas Government Code, on March 16, 2020, and then revised on March 18, 2020 and March 19, 2020. The Mayor hereby extends the March 19, 2020, declaration in accordance with law.

SECTION TWO. Duration of Local State of Disaster. Pursuant to Section 418.108(b), Texas Government Code, the state of disaster shall continue for a period of not more than seven days from the date of this declaration unless continued or renewed by Kerrville City Council.

SECTION THREE. Publicity and Filing. Pursuant to Section 418.108(c), Texas Government Code, this declaration of a local state of disaster shall be given prompt and general publicity and shall be filed promptly with the City Secretary, to include posting it on the City’s website.

SECTION FOUR. Continuing the Activation of the City Emergency Management Plan. Pursuant to Section 418.108(d), Texas Government Code, this declaration of a local state of disaster continues the activation of the City’s Emergency Management Plan.

SECTION FIVE. Public Meetings - Audience and presenter social distancing; public testimony and public hearing input. City Council meetings and meetings of other City Boards and Commissions may be delayed, rescheduled, or conducted in accordance with alternate measures as permitted by law. To reduce the chance of COVID-19 transmission, the City shall hold its public meetings in a manner intended to separate, to the maximum practical extent, audience and presenters from personal contact with other members of the community, City Council and other Board and Commission members, and City staff. Public testimony and public hearing input for public comment and on all items on the agenda at public meetings of the City Council and City Boards and Commissions shall be provided in a manner that best serves these purposes, but balancing the right of a person to make a public statement, orally and in person, virtually, or in writing but keeping in mind the public health and safety. The City shall establish and provide notice of its *Council Meeting Procedures during Disaster Period* and shall also provide notice on its website of the meeting schedule for City Council and its other Boards and Commissions and the health measures applicable to each.

SECTION SIX. Municipal Court. All court proceedings in the City’s Municipal Court may be altered or even postponed in accordance with state law, including orders and direction from the Texas Supreme Court and the state’s Office of Court Administration.

SECTION SEVEN. City Manager Authority. The City Manager, or designee, is authorized to take the following actions, but shall provide notice of such to City Council following such action:

- a. make application for local, state, and federal assistance as necessary and/or applicable;
- b. accept on behalf of the City services, gifts, grants, equipment, supplies, and/or materials from private, nonprofit, or government sources;
- c. suspend disconnections, fees, and penalties related to the City's provision of services.

SECTION EIGHT. Limitation of Declaration. This disaster declaration does not extend to law enforcement activities, emergency responses, or to school districts or private school facilities within the City.

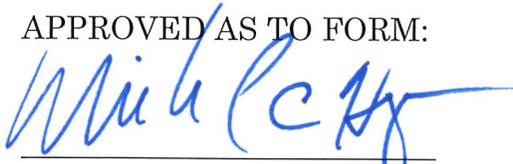
SECTION NINE. Effective Date. This proclamation shall take effect immediately from and after its issuance. This disaster declaration supersedes all previous declarations on this matter.

ORDERED and REVISED this the 28 day of July, 2020.

THE CITY OF KERRVILLE, TEXAS


Bill Blackburn, Mayor

APPROVED AS TO FORM:


Michael C. Hayes, City Attorney

ATTEST:


Shelley McElhannon, City Secretary