

**AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS**

AGENDA OF:	July 11, 2016	ITEM NO.:	Ordinance No. 1528
DATE SUBMITTED:	July 1, 2016	DEPT. OF ORIGIN:	Finance
PREPARED BY:	Cynthia Pearson	PRESENTOR:	John Robuck
REVIEWED BY:	Jon R. Branson	REVIEW DATE:	July 1, 2016
SUBJECT: Ordinance No. 1528 - An Ordinance of the City Council of the City of Pearland, Texas, authorizing issuance of City of Pearland, Texas, water and sewer system revenue bonds, series 2016c; prescribing the terms thereof; providing for the payment thereof; awarding the sale thereof; and making other provisions regarding such bonds and matters incident thereto.			
EXHIBITS: Ordinance 1528 Private Placement Memorandum Final Numbers Final Cash Flow Memo from CIO regarding Technology			
FUNDING:			
	<input type="checkbox"/> Grant	<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash
<input checked="" type="checkbox"/> Bonds To Be Sold	<input type="checkbox"/> Bonds- Sold	<input type="checkbox"/> L/P - Sold	<input type="checkbox"/> L/P - To Be Sold
EXPENDITURE REQUIRED:		AMOUNT BUDGETED:	
AMOUNT AVAILABLE:		PROJECT NO.:	
ACCOUNT NO.:			
ADDITIONAL APPROPRIATION REQUIRED:			
ACCOUNT NO.:			
PROJECT NO.:			
To be completed by Department:			
X Finance	X Legal	Ordinance	X Resolution

EXECUTIVE SUMMARY

BACKGROUND

The fiscal year 2016 budget included the sale of Water and Sewer System Revenue Bonds by the Texas Water Development Board Clean Water State Revolving Fund (CWSRF) program in the amount of \$48,822,000 in order to fund the construction of the Reflection Bay Water Reclamation Treatment Plant. The actual amount of the bond sale is \$50,100,000, \$1.2 million higher than the fiscal year 2016 capital improvement program mainly due to construction cost escalation.

Growth rates within the sanitary sewer service area have increased both average daily flows and the biological loading contained in the plant's influent require construction of 4 MGD in additional treatment capacity. The project includes the design, permitting and construction upgrades of the influent lift station, headworks, addition of four continuous flow 1 MGD basins, modifications to the existing basins to create two additional 1 MGD continuous flow basins, new filtration and UV disinfectant systems, expansion of the sludge holding tanks, addition of two belt press dewatering systems, a new non-potable water system and new SCADA system and controls for a total treatment capacity of 6 MGD.

Design of the project is complete, and City Council approved a notice of intent to be reimbursed from future bond proceeds in November 2015; Resolution R2015-196. On March 24th, four offerors submitted proposals for the construction of the 4 MGD expansion and 2 MGD rehabilitation of the RB WRF. Staff and the Engineer have reviewed the qualifications of the apparent offeror of best value and are prepared to make a recommendation for award of ~~bring~~ the construction contract for Council consideration on July 25th. The tentative award date is timed to coincide with the final approval of the major permit amendment, required for approval to construct. The major permit amendment, required from the TCEQ, has completed the public comment period. TCEQ is expected to proceed with final Board approval, which is anticipated by mid-July. The approved amended permit is required by the TCEQ and TWDB for construction authorization and funding release. The construction of the additional 4 MGD is anticipated to be complete by July 2018 and the rehabilitation of the existing 2 MGD for a total treatment capacity of 6 MGD will be complete by April 2019.

Expansion Project Schedule

Design	August 2014 – January 2016
Bid	February-March 2016
Council Award	July 2016*
Notice to Proceed with Construction	July 2016*
Construction: 4 MGD Capacity	July 2018
Construction: total 6 MGD Capacity	April 2019

* Dependent on Major Permit amendment issuance by the TCEQ

BID AND AWARD

This is the second reading of the Ordinance. The first reading was on June 27th, and we will on close on July 28th.

CURRENT AND FUTURE FUNDING /FINANCIAL IMPACTS/DEBT SERVICE

The bonds are structured with a 30-year level principal maturity. For fiscal year 2017 annual principal payment is estimated at \$1,860,000.

RECOMMENDED ACTION

Consideration and Approval of Ordinance 1528 – An Ordinance Authorizing the Issuance of City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2016C; Prescribing the Terms Thereof; Providing for the Payment Thereof; Awarding the Sale Thereof; and Making Other Provisions Regarding Such Bonds and Matters Incident Thereto.

CITY OF PEARLAND, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS
SERIES 2016C
ORDINANCE NO. 2016-1528

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ORDINANCE NO. 1528

An Ordinance of the City Council of the City of Pearland, Texas, authorizing issuance of City of Pearland, Texas, water and sewer system revenue bonds, series 2016c; prescribing the terms thereof; providing for the payment thereof; awarding the sale thereof; and making other provisions regarding such bonds and matters incident thereto.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:

**ARTICLE I
FINDINGS AND DETERMINATIONS**

Section 1.1. Findings and Determinations. It is hereby officially found and determined that:

(a) The City is authorized by Chapter 1502, Texas Government Code, as amended, to issue revenue bonds payable from the revenues of its water and sewer system for the purpose of constructing repairs, improvements, additions and extensions to the City's waterworks and sanitary sewer system.

(b) The City Council now deems it to be in the best interest of the City to issue, sell and deliver the Series 2016C Bonds (hereinafter defined) as hereinafter authorized, pursuant to the laws of the State of Texas, including specifically, Chapter 1502, Texas Government Code.

(c) The conditions precedent to the issuance of additional bonds which are contained in the ordinances authorizing the issuance of the Previously Issued Bonds and the Series 2016C Bonds (hereinafter defined) have been met, and the City is authorized to issue the revenue bonds and make the pledges and covenants set forth herein.

(d) The Series 2016C Bonds herein authorized for issuance are to be delivered to the Texas Water Development Board (the "TWDB" or the "Purchaser") in evidence of a loan commitment received in the aggregate amount of the Series 2016C Bonds.

**ARTICLE II
DEFINITIONS AND INTERPRETATIONS**

Section 2.1. Definitions. In this Ordinance, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

"*Act*" shall mean, collectively Chapter 1502, Texas Government Code, as amended.

"*Additional Bonds*" shall mean the additional revenue bonds permitted to be issued by the City pursuant to Section 6.1 hereof.

“Average Annual Principal and Interest Requirements” shall mean the average annual principal and interest requirements for all Bonds. Upon the issuance of the Series 2016C Bonds, the Average Annual Principal and Interest Requirements are hereby determined to be \$7,956,725.30 and shall be recomputed upon the issuance of each series of Additional Bonds and set forth in each ordinance authorizing the issuance of Additional Bonds. For purposes of calculating the Average Annual Principal and Interest Requirements with respect to any variable rate Additional Bonds, interest on such bonds shall be calculated in accordance with Section 6.1 of this Ordinance.

“Bonds” shall mean any or all of the Previously Issued Bonds, the Series 2016C Bonds and any Additional Bonds from time to time hereafter issued, but only to the extent such Bonds remain Outstanding within the meaning of this Ordinance.

“Business Day” shall mean any day other than (1) a Saturday or a Sunday, (2) a legal holiday or the equivalent on which banking institutions generally are authorized or required to close in New York, New York or Houston, Texas or any other city in which is located the principal corporate trust office of the Paying Agent/Registrar or (3) a day on which the New York Stock Exchange is closed in whole or in part.

“City” shall mean the City of Pearland, Texas, and, where appropriate, the City Council thereof and any successor to the City as owner of the System.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Defeasance Securities” means (1) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) non-callable 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, and (3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the 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.

“DTC” shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Fiscal Year” shall mean the City’s fiscal year, which currently runs from October 1 to September 30, but which may be changed from time to time by the City.

“Gross Revenues” shall mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System; the interest income

from the investment or deposit of money in the Revenue Fund and the Reserve Fund (each hereinafter defined in Article V hereof); and any other revenues hereafter pledged to the payment of all Bonds. Gross Revenues shall not include any of (i) grants from, or payments by, any federal, state or local governmental agency or authority or any other entity or person, the use of which is restricted by law or by the terms of the grant or payment to capital expenditures of the System, (ii) capital assets, debt service funds or debt service reserve funds of water districts or other public or private sewer systems annexed, acquired or otherwise assumed by the City or (iii) any interest earned on items (i) or (ii) above.

“Interest Payment Date,” when used in connection with any Series 2016C Bond, shall mean September 1 or March 1 of each year as applicable commencing March 1, 2017.

“Maintenance and Operation Expenses” shall mean the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Bonds), and all payments (including payments of amounts equal to all or a part of the debt service on bonds issued by other political subdivisions and authorities of the State of Texas) under contracts which are now or hereafter defined as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense. Maintenance and Operation Expenses shall include, without limitation, all payments under contracts for the impoundment, conveyance or treatment of water or otherwise which are now or hereafter defined as operating expenses by the Legislature of Texas and the treatment of such payments as Maintenance and Operation Expenses shall not be affected in any way if, subsequent to entering into such contracts, the City acquires as a part of the System title to any properties or facilities used to impound, convey or treat water under such contracts, or if the City contracts to acquire title to such properties or facilities as a part of the System upon the final payment of debt service on the bonds issued to finance such properties or facilities.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” shall mean all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

“Ordinance” shall mean this Bond Ordinance and all amendments hereof and supplements hereto.

“Outstanding” when used with reference to the Bonds shall mean, as of a particular date, all such bonds theretofore delivered except: (a) any such bond canceled by or on behalf of the City at or before said date; (b) any such bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such bond in lieu of or in substitution for which another bond shall have been delivered pursuant to the ordinance authorizing the issuance of such bond.

“*Owner*” or “*Registered Owner*” when used with respect to any Bond, shall mean the person or entity in whose name such Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners of the Bonds of a particular class or series of Bonds shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds or the Bonds of such class or series then Outstanding.

“*Paying Agent/Registrar*” shall mean Wells Fargo Bank, N.A., Minneapolis, Minnesota, and its successors in that capacity.

“*Previously Issued Bonds*” shall mean the Outstanding City of Pearland, Texas, Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999, City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2003, the City of Pearland, Texas, Water and Sewer System Revenue and Refunding Bonds, Series 2006, the City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2007, the City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2008, the City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2009, the City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2010A, the City of Pearland, Texas, Water and Sewer System Revenue Refunding Bonds, Series 2010B, the City of Pearland, Texas Water and Sewer System Revenue and Refunding Bonds, Series 2012, the City of Pearland, Texas Water and Sewer System Revenue Bonds, Series 2014 and the City of Pearland, Texas Water and Sewer System Revenue Bonds, Series 2016A.

“*Purchaser*” shall mean the Texas Water Development Board.

“*Record Date*” shall mean, with respect to any Interest Payment Date, the fifteenth day of the month, whether or not a Business Day, next preceding each Interest Payment Date.

“*Register*” shall mean the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner of Series 2016C Bonds.

“*Series 2016C Bonds*” shall mean the City of Pearland, Texas, Water and Sewer System Revenue Bonds, Series 2016C, authorized by this Ordinance.

“*Special Project*” shall mean, to the extent permitted by law, any water or sewer system property, improvement or facility declared by the City not to be part of the System, for which the costs of acquisition, construction, and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes or revenues of the System and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes or revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction, and installation under such financing transaction.

“*Subordinate Lien Obligations*” shall mean the obligations permitted to be issued by the City pursuant to Section 6.2 hereof.

“*Surety Policy*” shall mean and include a surety bond, bond insurance policy or other credit agreement, as authorized by Section 1502.064, Texas Government Code, provided that the issuer of any Surety Policy shall be rated in the highest rating category at the time of issuance of such Surety Policy by A.M. Best Company, Standard & Poor’s Ratings Group, or Moody’s Investors Service. A Surety Policy shall insure all Bonds and Additional Bonds on a pro rata basis. A Surety Policy may include a letter of credit or other agreement or instrument, including any related reimbursement or financial guaranty agreement, whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

“*System*” shall mean all properties, facilities, improvements, equipment, interests, rights and powers constituting the water and sewer system of the City, and all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, including without limitation, all those heretofore or hereafter acquired as a result of the annexation and dissolution of water districts or the acquisition of the properties or assets of any other public, private or non-profit entities. The System shall not include any Special Project.

Section 2.2. Interpretations. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance and the Table of Contents of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Series 2016C Bonds and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Series 2016C Bonds.

ARTICLE III TERMS OF THE SERIES 2016C BONDS

Section 3.1. Name, Amount, Purpose, Authorization. The City of Pearland, Texas Water and Sewer System Revenue Bonds, Series 2016C shall be issued in fully registered form, without coupons, in the aggregate principal amount of Fifty Million One Hundred Thousand Dollars (\$50,100,000) for the purposes of (i) constructing certain repairs, improvements, additions and extensions to the System, and (ii) payment of expenses of issuance of the Series 2016C Bonds, all under and pursuant to the authority of the Act and all other applicable law.

Section 3.2. Numbers, Date and Denomination. The Series 2016C Bonds shall be initially issued bearing the numbers, in the principal amounts and bearing interest at the rates set forth in Section 3.3 hereof. The Series 2016C Bonds shall be dated as of July 28, 2016 and shall be issued in denominations of \$5,000 of principal amount or any integral multiple thereof.

Section 3.3. Interest Payment Dates, Interest Rates and Maturities. The Series 2016C Bonds shall bear interest from the later of the date of delivery of the Series 2016C Bonds to the Purchaser, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rate or rates per annum set forth below, calculated on the basis of a 360-day

year composed of twelve 30-day months and payable semiannually on March 1 and September 1 of each year, commencing March 1, 2017, until maturity or prior redemption.

The Series 2016C Bonds shall mature and become payable on the dates and in the respective principal amounts set forth below, subject to prior redemption as set forth in this Ordinance:

<u>Bond Number</u>	<u>Maturity (09/01)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-1	2017	\$1,860,000	0.000%
R-2	2018	1,860,000	0.000
R-3	2019	1,860,000	0.000
R-4	2020	1,860,000	0.000
R-5	2021	1,855,000	0.000
R-6	2022	1,700,000	0.000
R-7	2023	1,700,000	0.090
R-8	2024	1,700,000	0.200
R-9	2025	1,700,000	0.320
R-10	2026	1,700,000	0.430
R-11	2027	1,700,000	0.540
R-12	2028	1,700,000	0.590
R-13	2029	1,700,000	0.640
R-14	2030	1,700,000	0.700
R-15	2031	1,700,000	0.760
R-16	2032	1,700,000	0.820
R-17	2033	1,700,000	0.870
R-18	2034	1,700,000	0.920
R-19	2035	1,700,000	0.960
R-20	2036	1,700,000	1.000
R-21	2037	1,700,000	1.020
R-22	2038	1,700,000	1.040
R-23	2039	1,700,000	1.060
R-24	2040	1,700,000	1.070
R-25	2041	1,700,000	1.080
R-26	2042	1,700,000	1.090
R-27	2043	1,700,000	1.100
R-28	2044	1,700,000	1.110
R-29	2045	1,705,000	1.120

Section 3.4. Redemption Prior to Maturity.

(a) *Optional Redemption* - The City reserves the right, at its option, to redeem prior to maturity Series 2016C Bonds maturing on or after September 1, 2026, in inverse order of maturity, in whole or in part, in principal installments of \$5,000 or any integral multiple thereof, on September 1, 2025, or any date thereafter, at a price equal to the

principal amount of the Series 2016C Bonds or portions thereof called for redemption plus accrued interest to the date of redemption.

(b) Series 2016C Bonds may be redeemed only in integral multiples of \$5,000 of principal amount. If a Series 2016C Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2016C Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2016C Bonds for redemption, the Registrar shall treat each Series 2016C Bond as representing that number of Series 2016C Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2016C Bond by \$5,000. Upon surrender of any Series 2016C Bond for redemption in part, the Registrar, in accordance with Section 3.13 hereof, shall authenticate and deliver in exchange therefor a Series 2016C Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Series 2016C Bond so surrendered.

(c) Not less than thirty (30) days prior to a redemption date for the Series 2016C Bonds, a notice of redemption will be sent by U.S. mail, first class postage prepaid, in the name of the City to each Owner of a Series 2016C Bond to be redeemed in whole or in part at the address of such Owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notices shall state the redemption date, the redemption price, the place at which Series 2016C Bonds are to be surrendered for payment and, if less than all Series 2016C Bonds outstanding are to be redeemed, the numbers of Series 2016C Bonds or portions thereof to be redeemed. Any notice of redemption so mailed as provided in this Section will be conclusively presumed to have been duly given, whether or not the Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Series 2016C Bonds or portions thereof to be redeemed. When Series 2016C Bonds have been called for redemption in whole or in part and notice of redemption has been given as herein provided, the Series 2016C Bonds or portions thereof so redeemed shall no longer be regarded to be outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest which would otherwise accrue or compound after the redemption date on any Series 2016C Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Section 3.5. Manner of Payment, Characteristics, Execution and Authentication. The Paying Agent/Registrar shall be the paying agent for the Series 2016C Bonds. The Series 2016C Bonds shall be payable, shall have the characteristics, shall be signed and executed, shall be sealed, and shall be authenticated, all as provided Form of Bond included as Exhibit A to this Ordinance. The Series 2016C Bonds initially delivered shall also have attached or affixed to each such Series 2016C Bond the registration certificate of the Comptroller of Public Accounts of the State of Texas.

The Series 2016C Bonds shall be signed on behalf of the City by the Mayor and countersigned by the City Secretary by their manual, lithographed, or facsimile signatures thereon. Such facsimile signature on the Series 2016C Bonds shall have the same effect as if each of the Series 2016C Bonds had been signed manually and in person by each of said

officials. If any officer of the City whose manual or facsimile signature shall appear on the Series 2016C Bonds, as provided in the Form of Bond included as Exhibit A hereto, shall cease to be such officer before the authentication of the Series 2016C Bonds or before the delivery of the Series 2016C Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

The approving legal opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel, may be printed on the Series 2016C Bonds over the certification of the City Secretary, which may be executed in facsimile. CUSIP numbers also may be printed on the Series 2016C Bonds, but errors or omissions in the printing of either the opinion or the numbers shall have no effect on the validity of the Series 2016C Bonds.

Section 3.6. Approval by Attorney General; Registration by Comptroller. The Initial Series 2016C Bond shall be delivered to the Attorney General of the State of Texas for examination and approval and shall be registered by the Comptroller of Public Accounts of the State of Texas. The manually executed registration certificate of such Comptroller substantially in the form provided in Exhibit A of this Ordinance shall be affixed or attached to the Initial Series 2016C Bonds.

Section 3.7. Authentication. Except for the Series 2016C Bonds to be initially issued, which need not be authenticated, only such Series 2016C Bonds as shall bear thereon a certificate of authentication substantially in the form provided in Exhibit A of this Ordinance, manually executed by an authorized representative of the Paying Agent/Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Series 2016C Bond so authenticated was delivered by the Paying Agent/Registrar hereunder.

Section 3.8. Special Record Date. If interest on any Series 2016C Bond is not paid on any Interest Payment Date and continues unpaid for 30 days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a "Special Record Date." The Paying Agent/Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each Registered Owner of an affected Series 2016C Bond as of the close of business on the day prior to the mailing of such notice.

Section 3.9. Ownership. Subject to the further provisions of this Section, the City, the Paying Agent/Registrar, and any other person may treat the person in whose name any Series 2016C Bond is registered on the Register as the absolute Owner of such Series 2016C Bond for the purpose of making and receiving payment of the principal of or interest on such Series 2016C Bond, and for all other purposes, whether or not such Series 2016C Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Series 2016C Bond in accordance with this Section 3.9 shall be valid and effectual and shall discharge the liability of

the City and the Paying Agent/Registrar upon such Series 2016C Bond to the extent of the sums paid.

Section 3.10. Book-Entry Only System. The definitive Series 2016C Bonds shall be initially issued in the form of a separate single fully registered Series 2016C Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Series 2016C Bond shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.12 hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. 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 Owner at the close of business on the Record Date, the word “Cede & Co.” in this Ordinance shall refer to such new nominee of DTC.

With respect to Series 2016C Bonds 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 DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Series 2016C Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2016C Bonds, (b) the delivery to any DTC Participant or any other person, other than a Registered Owner of a Series 2016C Bond, as shown on the Register, of any notice with respect to the Series 2016C Bonds, including any notice of redemption or (c) the payment to any DTC Participant or any other person, other than a Registered Owner of a Series 2016C Bond as shown in the Register, of any amount with respect to principal of Series 2016C Bonds, premium, if any, or interest on the Series 2016C Bonds.

Except as provided in Section 3.11 of this Ordinance, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Series 2016C Bond is registered in the Register as the absolute owner of such Series 2016C Bond for the purpose of payment of principal of, premium, if any, and interest on Series 2016C Bonds, for the purpose of giving notices of redemption and other matters with respect to such Series 2016C Bond, for the purpose of registering transfer with respect to such Series 2016C Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of Series 2016C Bonds, premium, if any, and interest on the Series 2016C Bonds only to or upon the order of the respective owners, as shown in the Register 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, premium, if any, and interest on the Series 2016C Bonds to the extent of the sum or sums so paid. No person other than an owner shall receive a Series 2016C Bond evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance.

Section 3.11. Payments and Notices to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, as long as any Series 2016C Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on the Series 2016C Bonds, and all notices with respect to such

Series 2016C Bonds shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

Section 3.12. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC, and that it is in the best interest of the beneficial owners of the Series 2016C Bonds that they be able to obtain certificated Series 2016C Bonds, the City or the Paying Agent/Registrar shall (a) 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 of the appointment of such successor securities depository and transfer one or more separate Series 2016C Bonds to such successor securities depository or (b) notify DTC of the availability through DTC of Series 2016C Bonds and transfer one or more separate Series 2016C Bonds to DTC Participants having Series 2016C Bonds credited to their DTC accounts. In such event, the Series 2016C Bonds shall no longer be restricted to being registered in the Register 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 a Registered Owner of a Series 2016C Bond transferring or exchanging Series 2016C Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.13. Registration, Transfer, and Exchange. The Paying Agent/Registrar shall keep the Register at its principal corporate trust office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Series 2016C Bonds in accordance with the terms of this Ordinance.

Each Series 2016C Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Series 2016C Bond in proper form for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within three (3) Business Days after such presentation, a new Series 2016C Bond or Series 2016C Bonds, registered in the name of the transferee or transferees, in the same maturity and aggregate principal amount and bearing interest at the same rate as the Series 2016C Bond or Series 2016C Bonds so presented.

All Series 2016C Bonds shall be exchangeable upon presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar for a Series 2016C Bond or Series 2016C Bonds of the same maturity in any authorized denomination and interest rate, in an aggregate amount equal to the unpaid principal amount of the Series 2016C Bond or Series 2016C Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Series 2016C Bonds in accordance with the provisions of this Section 3.11. Each Series 2016C Bond delivered in accordance with this Section 3.11 shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 2016C Bond or Series 2016C Bonds in lieu of which such Series 2016C Bond is delivered.

The City or the Paying Agent/Registrar may require the Owner of any Series 2016C Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Series 2016C Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

The Paying Agent/Registrar shall not be required to transfer or exchange any Series 2016C Bond called for redemption in whole or in part during the forty-five (45) day period immediately prior to the date fixed for redemption; provided, however, that this restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of a Series 2016C Bond called for redemption in part.

Section 3.14. Cancellation of Series 2016C Bonds. All Series 2016C Bonds paid or redeemed in accordance with this Ordinance, and all Series 2016C Bonds in lieu of which exchange Series 2016C Bonds or replacement Series 2016C Bonds are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment or redemption. The Paying Agent/Registrar shall furnish the City with appropriate certificates of destruction of such Series 2016C Bonds.

Section 3.15. Mutilated, Lost, or Stolen Series 2016C Bonds. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Series 2016C Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Series 2016C Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar.

If any Series 2016C Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas, and in the absence of notice or knowledge that such Series 2016C Bond has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver, a replacement Series 2016C Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

- (a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Series 2016C Bond;
- (b) furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar, and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the City and the Paying Agent/Registrar.

If, after the delivery of such replacement Series 2016C Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Series 2016C Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Series 2016C Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed, or wrongfully taken Series 2016C Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Series 2016C Bond, authorize the Paying Agent/Registrar to pay such Series 2016C Bond.

Each replacement Series 2016C Bond delivered in accordance with this Section 3.13 shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 2016C Bond or Series 2016C Bonds in lieu of which such replacement Series 2016C Bond is delivered.

ARTICLE IV FORM OF SERIES 2016C BONDS AND CERTIFICATES

Section 4.1. Forms. The form of the Series 2016C Bonds, including the form of the Paying Agent/Registrar's Authentication Certificate, the form of Assignment, the form of the Comptroller's Registration Certificate and the form of the Statement of Insurance, if any, which shall be attached or affixed to the Initial Series 2016C Bonds, shall be, respectively, as described in Exhibit A to this Ordinance, with such additions, deletions, and variations as may be necessary or desirable and not prohibited by this Ordinance.

Section 4.2. Legal Opinion; CUSIP Numbers. The approving legal opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel, may be printed on the Series 2016C Bonds over the certification of the City Secretary, which may be executed in facsimile. CUSIP numbers also may be printed on the Series 2016C Bonds, but errors or omissions in the printing of either the opinion or the numbers shall have no effect on the validity of the Series 2016C Bonds.

ARTICLE V SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Section 5.1. Pledge and Source of Payment. The City hereby covenants and agrees that Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds hereinafter established, and shall be applied in the manner hereinafter set forth, in order to provide for the payment of all Maintenance and Operation Expenses and to provide for the payment of principal of, interest on and any redemption premiums on the Bonds and all expenses of paying same; and to provide for the disposition of the remaining Net Revenues. The Bonds shall constitute special obligations of the City that shall be payable solely from and shall be equally and ratably secured by a first lien on and pledge of the Net Revenues as collected and received by the City from the operation and ownership of the System, which Net

Revenues shall, in the manner herein provided, be set aside for and are hereby pledged to the payment of the Bonds in the Interest and Sinking Fund and the Reserve Fund as hereinafter provided, and the Bonds shall be, in all respects, on a parity with and of equal dignity with one another. The Owners of the Bonds shall never have the right to demand payment of either the principal of, interest on or any redemption premium on the Bonds out of any funds raised or to be raised by taxation.

Section 5.2. Rates and Charges. So long as any Bonds remain Outstanding, the City shall fix, charge and collect rates and charges for the use and services of the System which are calculated to be fully sufficient to produce Net Revenues in each Fiscal Year at least equal to 115% of the principal and interest requirements scheduled to occur in such Fiscal Year on all Bonds then Outstanding, plus an amount equal to the sum of all deposits required to be made to the Reserve Fund in such Fiscal Year (but in no event shall Net Revenues ever be less than the amount required to establish and maintain the Interest and Sinking Fund and the Reserve Fund as hereinafter provided) and, to the extent that funds for such purpose are not otherwise available, to pay all other outstanding obligations payable from the Net Revenues of the System, including all amounts owed by the City to a provider of a Surety Policy, if any, as and when the same become due. For the purpose of complying with its obligation to fix, charge and collect rates and charges, as herein provided, the City shall be entitled to rely on the certificate described in Section 6.1 of this Ordinance, as therein provided, in determining the amount of interest anticipated to be paid in respect of Bonds bearing interest at a variable rate.

The City will not grant or permit any free service from the System, except for public buildings and institutions operated by the City. In addition, the City will not grant or permit any free service from the System permitted by the previous sentence if to do so would violate any condition or covenant to which the City is bound in connection with any federal grant agreement or otherwise.

Section 5.3. Special Funds. The following “Special Funds” shall be established, maintained and accounted for as hereinafter provided so long as any of the Bonds remain Outstanding:

- (a) Revenue Fund;
- (b) Interest and Sinking Fund; and
- (c) Reserve Fund.

All of such Funds shall be maintained as separate accounts on the books of the City. The Interest and Sinking Fund and the Reserve Fund shall constitute trust funds which shall be held in trust for the Owners of the Bonds and the proceeds of which shall be pledged to the payment of the Bonds. All of the Funds named above shall be used solely as herein provided so long as any Bonds remain Outstanding.

Section 5.4. Flow of Funds. Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Moneys from time to time on deposit to the credit of the Revenue Fund shall be applied in the following manner and in the following order of priority:

(a) First, to pay Maintenance and Operation Expenses and to provide by encumbrance for the payment of all obligations incurred by the City for Maintenance and Operation Expenses and to establish and maintain an operating reserve equal to one month's estimated Maintenance and Operation Expenses;

(b) Second, to make all deposits into the Interest and Sinking Fund required by any ordinance authorizing the issuance of Bonds;

(c) Third, to reimburse the provider of a Surety Bond any amounts advanced under such Surety Bond;

(d) Fourth, to pay interest to any provider of a Surety Bond any amounts advanced under such Surety Bond;

(e) Fifth, to make all deposits into the Reserve Fund required by any ordinance authorizing the issuance of Bonds;

(f) Sixth, to make all deposits, as may be required by any ordinance of the City authorizing the issuance of certain Subordinate Lien Obligations described in Section 6.2 hereof, in order to provide for the payment of and security for such Subordinate Lien Obligations; and

(g) Seventh, for any lawful purpose.

Section 5.5. Interest and Sinking Fund. On or before the last Business Day of each month so long as any Bonds remain Outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, there shall be transferred into the Interest and Sinking Fund from the Revenue Fund the following amounts:

(a) Such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the interest scheduled to become due on the Bonds on the next Interest Payment Date; and

(b) Such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the next maturing principal of the Bonds (i.e., the principal amount payable on the next September 1), including the principal amounts of, and any redemption premiums on, any Bonds payable as a result of the operation or exercise of any mandatory or optional redemption provision contained in any ordinance authorizing the issuance of Bonds.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all Outstanding Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund, and such Bonds shall not be regarded as being Outstanding except for the purpose of being paid with the moneys on deposit in such Funds.

Moneys deposited to the credit of the Interest and Sinking Fund shall be used solely for the purpose of paying principal (at maturity, prior redemption or tender, or to purchase Bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on the Bonds, plus all bank charges and other costs and expenses relating to such payment.

On or before each date principal becomes due and/or each Interest Payment Date on the Bonds, the City shall transfer from the Interest and Sinking Fund to the Paying Agent for the Bonds an amount equal to the principal of, interest on and any redemption premiums payable on the Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment. The Paying Agent shall destroy all paid Bonds and shall provide the City with an appropriate certificate of destruction.

Section 5.6. Reserve Fund. On or before the last Business Day of each month so long as any Bonds remain Outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses and after making all required transfers into the Interest and Sinking Fund, there shall be transferred into the Reserve Fund from the Revenue Fund amounts equal to one-sixtieth (1/60th) of the Average Annual Principal and Interest Requirements on the Bonds unless or until there has been accumulated in the Reserve Fund money and investments in an aggregate amount at least equal to the Average Annual Principal and Interest Requirements on the Bonds; provided that additional deposits into the Reserve Fund sufficient to provide for the increased reserve requirements resulting from the issuance of any Additional Bonds shall be made by not later than 60 months from the date of issuance of such Additional Bonds as required by Section 6.1(d) hereof. Such additional deposits into the Reserve Fund in connection with the issuance of any Additional Bonds shall be made each month in amounts equal to one-sixtieth (1/60th) of the Average Annual Principal and Interest Requirements on the Bonds and such Additional Bonds. After such amount has accumulated in the Reserve Fund and so long thereafter as such fund contains such amount, no further deposits shall be required to be made into the Reserve Fund, and any excess amounts in the Fund may be transferred to the Revenue Fund; but if and whenever the balance in the Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one-twelfth (1/12th) of the Average Annual Principal and Interest Requirements on the Bonds until the Reserve Fund has been restored to such amount. The Reserve Fund shall be used to pay the principal of and interest on the Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Bonds to mature or be redeemed.

The requirements of the immediately preceding paragraph of this Section notwithstanding, the City may provide a Surety Policy or Policies issued in amounts equal to all or part of the Average Annual Principal and Interest Requirements on the Bonds in lieu of depositing cash into the Reserve Fund; provided, however, that no such Surety Policy may be so substituted unless (i) the ordinance authorizing the substitution of the Surety Policy for all or part of the Average Annual Principal and Interest Requirements on the Bonds contains a finding that such substitution is cost effective and (ii) the City obtains an opinion of nationally recognized bond counsel that such substitution is permitted by applicable Texas law then in effect. If a Surety Policy or Policies are issued in accordance with the preceding sentence, such Surety Policy or Policies shall be drawn upon and reimbursed on a pro rata basis.

In the event a Surety Policy issued to satisfy all or a part of the City's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Average Annual Principal and Interest Requirements on all Bonds, the City may transfer such excess amount to any fund or funds established for the payment of or security for Bonds or any Subordinate Lien Obligations (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code); provided, however, that no funds constituting bond proceeds shall be transferred for the benefit of the Subordinate Lien Obligations.

Section 5.7. Deficiencies in Funds. If in any month there shall not be deposited into any fund maintained pursuant to this Article the full amounts required hereinabove, amounts equivalent to such deficiency shall be set apart and paid into such Special Fund or Funds from the first available and unallocated moneys in the Revenue Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such Funds during any succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

Section 5.8. Investment of Funds; Transfer of Investment Income.

(a) Money in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities of the United States of America or as otherwise permitted by state law; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investments with any national bank) that the money required to be expended from any Special Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of moneys in the Reserve Fund mature later than the final maturity date of the Bonds. All such investments shall be valued in terms of current market value no less frequently than the last Business Day of the City's Fiscal Year, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held in an official depository of the City, except as hereinafter provided. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository of the City, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such deposits and investments shall be credited monthly to the Special Fund from which such investment was made.

Section 5.9. Security for Uninvested Funds. So long as any Bonds remain Outstanding, all uninvested moneys on deposit in, or credited to, the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund shall be secured by the pledge of security as provided by law for cities in the State of Texas.

ARTICLE VI ADDITIONAL BONDS

Section 6.1. Additional Bonds. The City reserves the right to issue, for any lawful purpose, including the refunding of any previously issued Bonds or any other bonds or obligations of the City issued in connection with the System or payable from Net Revenues, one or more series of Additional Bonds on a parity with the Outstanding Bonds and any Additional Bonds then Outstanding, payable from, and secured by a first lien on, the Net Revenues of the System; provided, however, that no Additional Bonds may be issued unless:

(a) All Additional Bonds shall mature only on September 1 and interest thereon shall be payable only on March 1 and September 1;

(b) The Interest and Sinking Fund and the Reserve Fund each contains the amount of money then required to be on deposit therein;

(c) For either the preceding Fiscal Year or any consecutive 12-month period out of the 15-month period immediately preceding the month in which the bond ordinance authorizing such Additional Bonds is adopted (the "Base Period") either:

(1) Net Revenues are certified by the Director of Finance of the City to have been equal to at least one hundred and forty percent (140%) of the Average Annual Principal and Interest Requirements on all Bonds, after giving effect to the issuance of the Additional Bonds to be issued; or

(2) Net Revenues, adjusted to give effect to any rate increase or annexation of territory placed into effect or consummated prior to the adoption of the ordinance authorizing the Additional Bonds to the same extent as if such rate increase or annexation had been placed into effect or consummated prior to the commencement of the Base Period, would have been equal to at least the amount required in paragraph (1) above, as certified by an independent consulting engineer or independent firm of consulting engineers;

Provided, however, that this requirement shall not apply to the issuance of any series of Additional Bonds for refunding purposes that will not have the result of increasing the average annual principal and interest requirements on the Bonds; and

(d) Provision is made in the bond ordinance authorizing the Additional Bonds then proposed to be issued for (1) additional payments into the Interest and Sinking Fund sufficient to provide for the payment of the increased principal of and interest on the Bonds resulting from the issuance of such Additional Bonds, and (2) additional payments into the Reserve Fund sufficient to provide for the accumulation therein of the increased

reserve requirement resulting from the issuance of such Additional Bonds, by not later than sixty (60) months from the date of issuance of such Additional Bonds.

The provisions of this Section 6.1(a) notwithstanding, the City may issue Additional Bonds that bear interest at a variable rate. Such variable rate bonds may mature on dates other than September 1 and interest thereon may be payable on dates other than March 1 or September 1; provided that the issuance of Additional Bonds as variable rate bonds may not cause the total amount of Outstanding Bonds that are variable rate bonds to exceed 50% (20% as long as the *Series 1999 Bonds* shall remain outstanding) of the aggregate principal amount of all Outstanding Bonds and Subordinate Lien Obligations at the time of such issuance. For purposes of calculating the funding requirements for the Reserve Fund and for the purposes of calculating compliance with the conditions precedent to the issuance of Additional Bonds pursuant to Section 6.1(c) and the rate covenant set forth in Section 5.2, any Bonds that are variable rate bonds shall be assumed to bear interest at a rate which shall be estimated and certified by the financial advisor to the City as the rate that would be borne by such variable rate bonds if they were at the date of such certification issued as Bonds bearing a fixed rate of interest to their scheduled maturity or maturities.

Section 6.2. Subordinate Lien Obligations. The City reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Bonds. Such Subordinate Lien Obligations may be further secured by any other source of payment lawfully available for such purposes. In the event that the City should decide to issue such Subordinate Lien Obligations as variable rate bonds, for purposes of calculating the funding requirements for the reserve fund for such Subordinate Lien Obligations, the variable rate bonds shall be assumed to bear interest at the rate of 10% per annum, and for purposes of calculating compliance with any conditions precedent to the issuance of additional Subordinate Lien Obligations and any rate covenants relating to such Subordinate Lien Obligations, the variable rate bonds shall be assumed to bear interest at the higher of 9% per annum or the highest variable rate over the preceding twenty-four (24) months.

Deposits may be made pursuant to Section 5.4(f) of this Ordinance into such funds as may be created and maintained for the payment of and security for Subordinate Lien Obligations described in this Section (including a reserve fund not to exceed the Average Annual Principal and Interest Requirements on such Subordinate Lien Obligations and any provisions for curing deficiencies in such funds), but only to the extent that the aggregate Outstanding principal amount of such Subordinate Lien Obligations does not exceed 50% of the aggregate principal amount of Bonds and Subordinate Lien Obligations Outstanding on the date of such calculation.

Section 6.3. Special Project Bonds. The City reserves the right to issue revenue bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

**ARTICLE VII
COVENANTS AND PROVISIONS
RELATING TO BONDS**

Section 7.1. Punctual Payment of Bonds. The City covenants that it will punctually pay or cause to be paid the interest on and principal of all Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any other ordinance authorizing the issuance of such Bonds.

Section 7.2. Power to Own and Operate System; Ratemaking Power. The City covenants that it has all necessary power and authority to own and operate the System as herein described and provided and that it possesses, and shall exercise, all necessary power and authority to establish, fix, increase, impose and collect rates and charges for the use and services of the System in the amounts required to comply with the covenants and provisions contained herein.

Section 7.3. Maintenance of System. So long as any Bonds remain Outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

Section 7.4. Sale or Encumbrance of System. So long as any Bonds remain Outstanding, the City covenants that it will not sell, dispose of or, except as permitted in Article VI, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Net proceeds from any such disposition may be deposited in the Revenue Fund and, notwithstanding any other provision contained herein, shall be used only for System purposes. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 7.5. Insurance. The City covenants that it will keep the System insured with insurers of good standing, against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. All net proceeds of such insurance shall be applied to repair or replace any insured property that is damaged or destroyed, or shall be deposited in the Revenue Fund, or shall be used to redeem Outstanding Bonds. The cost of all such insurance, together with any additional insurance, shall be a part of the Maintenance and Operation Expenses.

Section 7.6. Accounts, Records and Audits. So long as any Bonds remain Outstanding, the City covenants that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof. The City shall, after the close of each Fiscal Year, prepare financial statements of the System, and have those financial statements audited by an independent certified public accountant or independent firm of certified public accountants. After the audit, the City shall furnish a copy of these audited financial statements, together with the independent certified public accountant's report thereon, without cost, to the Municipal Advisory Council of Texas, the major municipal rating agencies, and any Owners of Bonds who shall request the same. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

Section 7.7. Competition. To the extent it legally may, the City covenants that it will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities to the extent that such competing facilities would impair the City's ability to pay principal of or interest on the Bonds.

Section 7.8. Pledge and Encumbrance of Net Revenues. The City covenants that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Bonds, and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants that, other than to the payment of the Bonds, the Net Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Bonds.

Section 7.9. Covenants with Respect to Certain Assumed Water District Bonds. So long as any Bonds remain Outstanding, the City covenants as follows:

(a) To the extent it legally may, the City will impose, and strictly enforce, the requirement upon all water districts located within the City's extraterritorial jurisdiction that any bonds issued by such water districts which are secured in whole or in part by pledges of or liens on water or sewer system revenues shall provide that all such pledges of and liens on water or sewer system revenues shall automatically terminate upon the annexation and dissolution of the district by the City;

(b) The City shall use its best efforts to redeem, refund or defease all annexed water district bonds assumed by the City which by their own terms are secured in whole or in part by pledges of or liens on water or sewer system revenues which do not terminate upon annexation and dissolution by the City of such water district, or otherwise to provide for the discharge of such pledges or liens on water or sewer system revenues; and

(c) Pursuant to Section 43.075, Texas Local Government Code (successor to Article 1182c-1, Vernon's Texas Civil Statutes, as amended), the City shall, unless it has theretofore made adequate provision for the payment thereof, annually levy and cause to

be collected taxes upon all taxable property of the City sufficient to pay principal of and interest, as they respectively become due and payable, on all assumed bonds, warrants and other obligations that were issued by water districts that have been annexed to, and dissolved by, the City, and which are by their own terms secured in whole or in part by a lien on or pledge of water or sewer system revenues which did not terminate upon the annexation and dissolution by the City of such water district.

Section 7.10. Registered Owners' Rights and Remedies. This Ordinance shall constitute a contract between the City and the Owners of the Series 2016C Bonds from time to time Outstanding and this Ordinance shall be and remain irrevocable until the Series 2016C Bonds and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal of or interest on any of the Series 2016C Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Series 2016C Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Series 2016C Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the revenues thereof into the Special Funds herein provided, and the application of such revenues in the manner required in this Ordinance.

Section 7.11. Defeasance. The City may defease the provisions of this Ordinance and discharge its obligations to the Registered Owners of any or all of the Series 2016C Bonds to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Paying Agent/Registrar or with the State Treasurer of the State of Texas either:

(a) cash in an amount equal to the principal amount of such Series 2016C Bonds plus interest thereon to the date of maturity or redemption; or

(b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the

holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption;

provided, however, that if any of the Series 2016C Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance. Upon such deposit, such Series 2016C Bonds shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

Section 7.12. Legal Holidays. In any case where the date of maturity of interest on or principal of the Series 2016C Bonds or the date fixed for redemption of any Series 2016C Bonds shall be in the City a legal holiday or a day on which the Paying Agent/Registrar for the Series 2016C Bonds is authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding day not in the City a legal holiday or a day on which such Paying Agent Registrar is authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment.

Section 7.13. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar (or paying agent) for the Series 2016C Bonds shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 7.14. No Recourse Against City Officials. No recourse shall be had for the payment of principal of or interest on any Series 2016C Bonds or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Series 2016C Bonds.

Section 7.15. Amendment to Ordinance. The City may, with the consent of Owners holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission.

**ARTICLE VIII
CONCERNING THE PAYING AGENT/REGISTRAR**

Section 8.1. Acceptance. Wells Fargo Bank, N.A., Minneapolis, Minnesota, is hereby appointed as the initial Paying Agent/Registrar for the Series 2016C Bonds. Such initial Paying Agent/Registrar and any successor Paying Agent/Registrar, by undertaking the performance of the duties of the Paying Agent/Registrar hereunder, and in consideration of the payment of fees and/or deposits of money pursuant to this Ordinance, shall be deemed to accept and agree to abide by the terms of this Ordinance. The registration of and payment of the principal of, premium, if any, and interest on the Series 2016C Bonds when due shall be effectuated pursuant to the terms of a Paying Agent/Registrar Agreement to be entered into by and between the City and the Paying Agent/Registrar, which shall be substantially in the form attached hereto as Exhibit B, the terms and provisions of which are hereby approved, and the Mayor and/or the Mayor Pro Tem are hereby authorized to execute and deliver such Paying Agent/Registrar Agreement on behalf of the City in multiple counterparts and the City Secretary is hereby authorized to attest and affix the City's seal thereto.

Section 8.2. Fiduciary Account. All money transferred to the Paying Agent/Registrar under this Ordinance (except sums representing Paying Agent/Registrar's fees) shall be held in a fiduciary account for the benefit of the City, shall be the property of the City, and shall be disbursed in accordance with this Ordinance.

Section 8.3. Bonds Presented. Subject to the provisions of Section 8.4, all matured Series 2016C Bonds properly and timely presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Series 2016C Bonds shall be canceled as provided herein.

Section 8.4. Series 2016C Bonds Not Timely Presented. The Paying Agent/Registrar shall remit to the City, upon receipt of the certificate provided for herein, a sum equal to the aggregate face amount of all Series 2016C Bonds which have not been presented for payment prior to the date specified in such certificate. Such certificate shall:

- (a) Specify the Series 2016C Bonds or portions thereof to which it applies and the amount of each;
- (b) Specify the date on which the City believes itself to be no longer obligated to pay such Series 2016C Bonds or portions thereof by virtue of the expiration of the applicable statute of limitations under the laws of the State of Texas; and
- (c) Be signed by the Mayor and attested by the City Secretary.

Funds held by the Paying Agent/Registrar that represent principal of and interest on the Series 2016C Bonds remaining unclaimed by any Registered Owner after the expiration of three years from the date such funds have become due and payable (a) shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent such provisions are applicable to such funds, or (b) to the extent such provisions do not apply to the funds, such funds shall be paid by the Paying

Agent/Registrar to the City upon receipt by the Paying Agent/Registrar of a written request therefor from the City.

The Paying Agent/Registrar shall have no liability to the Owners of the Series 2016C Bonds by virtue of actions taken in compliance with this Section.

Section 8.5. Paying Agent/Registrar May Own Series 2016C Bonds. The Paying Agent/Registrar in its individual or any other capacity, may become the Owner or pledgee of Series 2016C Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

Section 8.6. Successor Paying Agents/Registrars. The City covenants that at all times while any Series 2016C Bonds are Outstanding it will provide a legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar for the Series 2016C Bonds. If the Paying Agent/Registrar or its successor for any reason no longer acts as Paying Agent/Registrar hereunder, the City covenants that it will appoint a bank in the same city as the Paying Agent/Registrar initially appointed to perform the duties of Paying Agent/Registrar hereunder. Any successor Paying Agent/Registrar shall be either a national or state banking institution, and a corporation organized and doing business under the laws of the United States of America or any state, which is authorized under such laws to exercise trust powers and is subject to supervision or examination by federal or state authority.

The City reserves the right to change the Paying Agent/Registrar for the Series 2016C Bonds on not less than sixty (60) days written notice to the Paying Agent/Registrar, as long as any such notice is effective not less than sixty (60) days prior to the next succeeding principal or interest payment date on the Series 2016C Bonds. Promptly upon the appointment of any successor Paying Agent/Registrar, the previous Paying Agent/Registrar shall deliver the Register or a copy thereof to the new Paying Agent/Registrar and the new Paying Agent/Registrar shall notify each Registered Owner, by first-class mail, postage prepaid, of such change and of the address of the new Paying Agent/Registrar. Each Paying Agent/Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Ordinance.

ARTICLE IX TAX EXEMPTION

Section 9.1. Covenants to Maintain Tax Exempt Status.

(a) Definitions. When used in this Section, the following terms have the following meanings:

“Code” means the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Issue Date.

“Computation Date” has the meaning stated in Section 1.148-1(b) of the Regulations.

“Gross Proceeds” has the meaning stated in Section 1.148-1(b) of the Regulations.

“Investment” has the meaning stated in Section 1.148-1(b) of the Regulations.

“Issue Date” for each series or sub-series of the Series 2016C Bonds or other obligations of the City is the respective date on which such series or sub-series of the Series 2016C Bonds or other obligations of the City is delivered against payment therefor.

“Net Sale Proceeds” has the meaning stated in Section 1.148-1(b) of the Regulations.

“Nonpurpose Investment” has the meaning stated in Section 1.148-1(b) of the Regulations.

“Proceeds” has the meaning stated in Section 1.148-1(b) of the Regulations.

“Rebate Amount” has the meaning stated in Section 1.148-3 of the Regulations.

“Regulations” means the temporary or final Income Tax Regulations applicable to the Bonds issued pursuant to Sections 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to Sections 141 through 150 of the Code and applicable to the Series 2016C Bonds.

“Yield of”

any Investment shall be computed in accordance with Section 1.148-5 of the Regulations, and

the Series 2016C Bonds shall be computed in accordance with Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause the interest on such Series 2016C Bond to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City shall have received a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Series 2016C Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the regulations and rulings thereunder, the City shall, at all times after the Issue Date of any Series 2016C Bond and prior to the last stated maturity of the Series 2016C Bonds

- (1) exclusively own, operate, and possess all property the acquisition, construction, or improvement of which is to be financed directly or indirectly with Gross Proceeds of such Series 2016C Bond and not use or permit the use of such Gross Proceeds or any property acquired, constructed, or improved with such Gross Proceeds in any activity carried on by any person or entity other than a state or local government, unless such use is solely as a member of the general public, or
- (2) not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds of such Series 2016C Bond or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds other than taxes of general application and interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by Section 141 of the Code and the regulations and rulings thereunder, the City shall not use Gross Proceeds of such Series 2016C Bond to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a person or entity if (1) property acquired, constructed or improved with Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or such property are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the final stated maturity or final payment of such Series 2016C Bond, directly or indirectly invest Gross Proceeds of such Series 2016C Bond in any Investment (or use such Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments allocated to such Gross Proceeds whether then held or previously disposed of, exceeds the Yield on the Series 2016C Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of the Code and the regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Series 2016C Bonds to be federally guaranteed within the meaning of Section 149(b) of the Code and the regulations and rulings thereunder.

(g) Information Report. The City shall timely file with the Secretary of the Treasury the information required by Section 149(e) of the Code with respect to each converted series of the Series 2016C Bonds on such forms and in such place as such Secretary may prescribe.

(h) Payment of Rebate Amount. Except to the extent otherwise provided in Section 148(f) of the Code and the regulations and rulings thereunder, the City shall:

- (1) account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other

funds (and receipts, expenditures and investments thereof) and shall retain all records of such accounting for at least six years after the final Computation Date. The City may, however, to the extent permitted by law, commingle Gross Proceeds of the Series 2016C Bonds with other money of the City, provided that the City separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith,

- (2) calculate the Rebate Amount with respect to such Series 2016C Bond not less frequently than each Computation Date, in accordance with rules set forth in Section 148(f) of the Code, Section 1.148-3 of the Regulations, and the rulings thereunder. The City shall maintain a copy of such calculations for at least six years after the final Computation Date,
- (3) as additional consideration for the purchase of the Series 2016C Bonds by the initial purchasers thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (2) above at the times, in the installments, to the place, in the manner and accompanied by such forms or other information as is or may be required by Section 148(f) of the Code and the regulations and rulings thereunder, and
- (4) exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of the Code and the regulations and rulings thereunder, the City shall not, at any time after the Issue Date of the Series 2016C Bonds and prior to the earlier of the final stated maturity or final payment of the Series 2016C Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Series 2016C Bonds, not been relevant to either party.

ARTICLE X CONTINUING DISCLOSURE UNDERTAKING

Section 10.1. Annual Reports. The City shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the City of the general type described in Exhibit E hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit E hereto 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 audited financial statements are not so provided, then the City shall provide unaudited financial statements for the

applicable fiscal year by the required time, and audited financial statements when and if audited financial statements become available.

If the City changes its fiscal year, it will notify the MSRB of the change (and 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 Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to documents (i) available to the public on the MSRB's internet web site or (ii) filed with the SEC.

Section 10.2. Event Notices. The City shall notify the MSRB in a electronic format prescribed by the MSRB, in a timely manner (not in excess of ten (10) days after the occurrence of the event), of any of the following events with respect to the Series 2016C Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) 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 Series 2016C Bonds, or other material events affecting the tax status of the Series 2016C Bonds;
- (g) Modifications to rights of holders of the Series 2016C Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Series 2016C Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the City;
- (m) 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; and

- (n) Appointment of a successor or additional Paying Agent/Registrar or the change of name of Paying Agent/Registrar, if material.

For the purposes of the event identified in clause (l), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers 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 obligated person.

The City shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 10.1 of this Ordinance by the time required by such Section.

Section 10.3. Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an “obligated person” with respect to the Series 2016C Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 10.2 of any Series 2016C Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Series 2016C Bonds, and nothing in this Article, 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 Article 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 Article 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 Series 2016C Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY SERIES 2016C BOND 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 ARTICLE, 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 Article shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Article 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 Article 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 Article, as so amended, would have permitted an underwriter to purchase or sell Series 2016C Bonds in the primary offering of the Series 2016C Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners 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 Series 2016C Bonds consent to such amendment or (b) a person or entity that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Series 2016C Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 10.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2016C Bonds in the primary offering of the Series 2016C Bonds.

Section 10.4. Definitions. As used in this Article, the following terms have the meanings ascribed to such terms below:

“*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.

ARTICLE XI SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS

Section 11.1. Sale of Series 2016C Bonds. The sale of the Series 2016C Bonds to the Purchaser at a price of par, which price and terms are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Mayor, Mayor Pro-Tem and all other

officials, agents and representatives of the City are hereby authorized to do any and all things necessary or desirable to provide for the issuance and delivery of the Bonds.

Section 11.2. Approval, Registration and Delivery. The Mayor and the City Secretary are hereby authorized to have control and custody of the Series 2016C Bonds and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor of the City, the City Secretary of the City, the City Manager of the City and other officers and employees of the City are hereby authorized, directed and instructed to make such certifications and to execute such instruments (including by printed facsimile signature, the Series 2016C Bonds) as may be necessary to accomplish the delivery of the Series 2016C Bonds and to assure the investigation, examination, and approval thereof by the Attorney General of Texas and the registration of the initial Series 2016C Bonds by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 2016C Bonds, the Comptroller of Public Accounts of the State of Texas (or a deputy designated in writing to act for him) shall be requested to sign manually the registration certificate prescribed herein to be attached or affixed to each Series 2016C Bond initially delivered and the seal of the Comptroller of Public Accounts of the State of Texas shall be impressed or printed or lithographed thereon. Delivery of the Series 2016C Bonds is subject to the unqualified approving opinion as to the legality of the Series 2016C Bonds of the Attorney General of Texas and of Andrews Kurth LLP, Houston, Texas, Bond Counsel.

Section 11.3. Offering Documents. The City Council hereby approves the form and content of the Private Placement Memorandum prepared in connection with the sale of the Series 2016C Bonds and presented to the City Council with this Ordinance and attached hereto as Exhibit D, and authorizes the distribution and delivery of the Private Placement Memorandum to the TWDB, as the purchaser of the Series 2016C Bonds.

Section 11.4. Application of Proceeds of Series 2016C Bonds. Immediately following the delivery of the Series 2016C Bonds and prior to the deposit of the proceeds from the sale of such Series 2016C Bonds in the Construction Fund established pursuant to Section 12.6 of this Ordinance, such proceeds (less any amounts used to pay costs of issuance) shall be held in trust and in escrow pursuant to the written escrow agreement described below pending written authorization to release said proceeds.

A "Special Escrow Deposit Agreement" by and between the City and Wells Fargo Bank, N.A. attached hereto as Exhibit C and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and the Mayor and the City Secretary of the City are hereby authorized and directed to execute such agreement in substantially the same form and content herein approved.

Section 11.5. Related Matters. In order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, the Mayor, the City Manager, the City Secretary, the Director of Finance and all other appropriate officers, agents, representatives and employees of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance and delivery of the Series 2016C Bonds, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, notices, and other documents as may be reasonably necessary to satisfy the City's

obligations under this Ordinance and to direct the transfer and application of funds of the City consistent with the provisions of this Ordinance.

Section 11.6. Control and Delivery of Series 2016C Bonds.

(a) The City Manager of the City is hereby authorized to have control of the Series 2016C Bonds and all necessary records and proceedings pertaining hereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State and registration with initial exchange or transfer by, the Paying Agent/Registrar.

(b) The Initial Series 2016C Bond(s) shall be the Series 2016C Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchaser. After registration by the Comptroller of Public Accounts, delivery of the Series 2016C Bonds shall be made to the Purchaser under and subject to the general supervision and direction of the Mayor, against receipt by the City of all amounts due to the City under the terms of sale.

(c) The Mayor, the City Manager, the 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 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 agreements, certificates, and instruments, whether herein mentioned, as may be necessary or desirable to carry out the terms and provisions of this Ordinance, the bonds, the sale and delivery of the Series 2016C Bonds, the DTC Blanket Letter of Representations and the Official Statement. The City Council hereby authorizes the payment of the fee of the Office of the Attorney General of the State of Texas for the examination of the proceedings relating to the issuance of the Series 2016C Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code.

**ARTICLE XII
SPECIAL PROVISIONS RELATING TO
THE TEXAS WATER DEVELOPMENT BOARD**

Section 12.1. Compliance with the Texas Water Development Board's Rules and Regulations. The City will comply with all of the requirements contained in the resolution or resolutions adopted by the TWDB with respect to the issuance of the Series 2016C Bonds in the TWDB's rules, regulations and relevant statutes.

Section 12.2. Construction Fund; Timely Use of Proceeds. The proceeds of the Series 2016C Bonds shall be applied to establish at an official depository of the City a construction fund (the "Construction Fund"), which shall be kept separate from all other accounts and funds of the City. Monies on deposit in the Construction Fund shall be applied in accordance with the applicable requirements of the Texas Water Code and the rules and regulations of the TWDB. All funds deposited to the credit of the Construction Fund will be used in a timely and

expeditious manner, as required by federal statute and EPA regulations, and the City will adhere to the project schedule approved by the Executive Administrator.

Section 12.3. Records; Final Accounting. The City will keep and maintain full and complete records and accounts pertaining to the construction of the projects financed with the proceeds of sale of the Series 2016C Bonds, including the Construction Fund, in accordance with the standards set forth by the Government Accounting Standard Board. Within 60 days of completion, the City will submit to the TWDB a final accounting of the total costs of the projects financed with the Series 2016C Bonds.

Section 12.4. Annual Audit. So long as any Series 2016C Bonds are held by the TWDB, the City will annually submit to the TWDB's Executive Administrator, within 180 days of the end of the City's fiscal year, a copy of its annual audited financial statements prepared in accordance with generally acceptable auditing standards by a certified public accountant.

Section 12.5. Investment of Proceeds. Proceeds from the sale of the Series 2016C Bonds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

Section 12.6. Surplus Proceeds. Any proceeds of the Series 2016C Bonds determined to be surplus funds remaining after completion of one or more of the projects described in Section 3.1 hereof shall be used for the following purposes as approved by the Executive Administrator of the TWDB: (1) to redeem, in inverse annual order, the Series 2016C Bonds owned by the TWDB, (2) deposit into the Interest and Sinking Fund for the payment of interest or principal on the Series 2016C Bonds owned by the TWDB, or (3) eligible project costs as authorized by the Executive Administrator.

Section 12.7. Insurance. The City will maintain insurance on the projects financed with the proceeds of the Series 2016C Bonds in amounts adequate to protect the TWDB's interest.

Section 12.8. Water Conservation Program. The City has implemented or will implement an approved water conservation program required by the TWDB for so long as the Series 2016C Bonds are outstanding.

Section 12.9. TWDB Remedies. The TWDB may exercise all remedies available to it in law or equity, and any provision of the Series 2016C Bonds that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.

Section 12.10. Environmental Determination. The City will comply with any special conditions specified by the TWDB's environmental determination until all financial obligations to the TWDB have been discharged.

Section 12.11. Environmental Indemnification. The City shall indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated

media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project, to the extent permitted by law.

Section 12.12. Compliance with Davis-Bacon. All laborers and mechanics employed by contractors and subcontractors for projects be paid wages at rates not less than those prevailing on projects of a similar character in the City in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations and all project contracts shall mandate compliance with the Davis-Bacon Act. All contracts and subcontracts for the construction of the project carried out in whole or in part with proceeds of the Series 2016C Bonds shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.

Section 12.13. Federal Funding Accountability and Transparency Act. The City shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282. The City shall obtain a Data Universal Numbering System Number and shall register with the System for Award Management, and maintain such registration while the Series 2016C Bonds are outstanding.

Section 12.14. American Iron and Steel Requirement. The City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines.

Section 12.15. Additional Covenants Related to Tax-Exempt Status.

(a) The City will not use any portion of the proceeds of the Series 2016C Bonds in a manner that would cause the Series 2016C Bonds to become "private activity bonds" within the meaning of Section 141 of the Code, and the Regulations.

(b) No portion of the proceeds of the Series 2016C Bonds will be used, directly or indirectly, in a manner that would cause the Series 2016C Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the Series 2016C Bonds (the "Source Series Bonds"), other than Nonpurpose Investments acquired with:

(1) proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;

(2) amounts invested in a bona fide debt service fund, within the meaning of Section 1.148-1(b) of the Regulations; and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of the maximum annual debt service on the Series 2016C Bonds, 125% of the average

annual debt service on the Series 2016C Bonds, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Series 2016C Bonds.

(c) Neither the City nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Series 2016C Bonds.

ARTICLE XIII MISCELLANEOUS

Section 13.1. Related Matters. In order that the City shall satisfy, in a timely manner, all of its obligations under the Ordinance, the Mayor, the City Secretary and other appropriate officers and agents of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for issuance and delivery of the Series 2016C Bonds, including executing by manual or facsimile signature and delivering on behalf of the City all certificates, consents, receipts, requests, notices, investment agreements and other documents as may be reasonably necessary to satisfy the City's obligations under the Ordinance and to direct the transfer and application of funds of the City consistent with the provisions of such Ordinance. If requested by the Attorney General of Texas or his representatives, the Mayor may authorize such ministerial changes in the written text of this Ordinance as are necessary to obtain the Attorney General's approval and as he determines are consistent with the intent and purposes of this Ordinance, which determination shall be final.

Section 13.2. Severability. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 13.3. Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 13.4. Governing Law. This Ordinance shall be construed in accordance with and governed by the laws of the State of Texas.

Section 13.5. Repealer. All ordinances, or parts thereof inconsistent herewith, are hereby repealed to the extent of such inconsistency.

Section 13.6. Emergency. It is hereby officially found and determined that this Ordinance relates to an immediate public emergency affecting life, health, property and public peace, and that such emergency exists, the specific emergency being that the proceeds from the sale of the Series 2016C Bonds are required as soon as possible for necessary and urgently

needed improvements, and that this Ordinance be passed and approved on the date of its introduction.

Section 13.7. Effective Date. This Ordinance shall be in force and effect from and after its passage on the date shown below.

PASSED AND APPROVED ON FIRST AND ONLY READING on the ____ day of _____, A.D., 2016.

TOM REID
MAYOR

ATTEST:

YOUNG LORFING, TRMC
CITY SECRETARY

APPROVED AS TO FORM:

DARRIN M. COKER
CITY ATTORNEY

Exhibit A	Form of Bond
Exhibit B	Paying Agent/Registrar Agreement
Exhibit C	Special Escrow Deposit Agreement
Exhibit D	Private Placement Memorandum
Exhibit E	Description of Annual Financial Information

EXHIBIT A

FORM OF BOND

United States of America
State of Texas

NUMBER
¹R-
REGISTERED

DENOMINATION
\$ _____
REGISTERED

CITY OF PEARLAND, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS
SERIES 2016C

²INTEREST RATE: _____% DATED DATE: March 1, 2016 ²MATURITY DATE: September 1, _____ ²CUSIP:

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

³THE CITY OF PEARLAND, TEXAS (the “City”), a municipal corporation duly incorporated under the laws of the State of Texas, for value received hereby promises to pay, but solely from certain Net Revenues as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this Bond at the designated payment office of Wells Fargo Bank, N.A. in Minneapolis, Minnesota, Texas (the “Paying Agent/Registrar”), the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such Net Revenues, interest thereon at the rate described below, calculated on the basis of a 360-day year, composed of twelve 30-day months, from the later of the date of

¹ Initial Bond shall be numbered T-1.

² Omitted from Initial Bond.

³ The first sentence of the Initial Bond shall read as follows:

“THE CITY OF PEARLAND, TEXAS (the “City”), a municipal corporation duly incorporated under the laws of the State of Texas, for value received hereby promises to pay, but solely from certain Net Revenues as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date specified below, upon presentation and surrender of this Series 2016B Bond at the designated payment office of Wells Fargo Bank, N.A. in Minneapolis, Minnesota (the “Paying Agent/Registrar”), the principal amount set forth in the following schedule: [Insert information regarding years of maturity, principal amounts and interest rates from Section 3.3,] in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such Net Revenues, interest thereon at the rate described above, calculated on the basis of a 360-day year, composed of twelve 30-day months, from the later of the Dated Date identified above or the most recent interest payment date to which interest has been paid or duly provided for.”

delivery of the Bonds or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Bond is payable by check sent by United States mail, first class, postage prepaid, payable on March 1 and September 1, beginning on March 1, 2017, mailed to the Registered Owner as shown on the books of registration kept by the Paying Agent/Registrar as of the fifteenth calendar day of the month next preceding each interest payment date. Any accrued interest payable at maturity or earlier redemption shall be paid upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent/Registrar. Notwithstanding the above, so long as the Texas Water Development Board ("TWDB") is the Registered Owner, all payments of principal and interest will be made by wire transfer at no cost to the TWDB.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS (herein, the "Series 2016C Bonds") aggregating \$50,100,000, issued for the purpose of constructing certain repairs, improvements, additions and extensions to the City's waterworks and sanitary sewer system and payment of costs of issuance of the Bonds, all under and pursuant to Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City on April 11, 2016 (the "Ordinance"), and other applicable law. Capitalized terms used herein without definition are defined in the Ordinance.

THIS SERIES 2016C BONDS are special obligations of the City that are payable from and are equally and ratably secured by a first lien on and pledge of the Net Revenues collected and received by the City from the operation and ownership of the City's water and sewer system as defined and provided in the Ordinance, which Net Revenues are required to be set aside and pledged to the payment of the Outstanding Bonds, as described in the Ordinance, the Series 2016C Bonds, and all Additional Bonds issued on a parity therewith, in the Interest and Sinking Fund and the Reserve Fund maintained for the payment of all such Bonds, all as more fully described and provided for in the Ordinance.

THE SERIES 2016C BONDS ARE PAYABLE SOLELY FROM SUCH NET REVENUES AND NEITHER THE STATE, NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE, SHALL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2016C BONDS. THE OWNER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS BOND OUT OF ANY FUNDS RAISED OR TO BE RAISED BY AD VALOREM TAXATION.

REFERENCE IS HEREBY MADE TO THE ORDINANCE, a copy of which is on file in the office of the Paying Agent/Registrar, and to all of the provisions of which the Registered Owner of this bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Series 2016C Bonds; the priority for the application and use of the income and revenues of the System; the Net Revenues pledged to the payment of the principal of and interest on the Series 2016C Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Series 2016C Bonds; the terms and conditions for the issuance of additional revenue obligations, including Additional Bonds; the terms and conditions for amending the Ordinance; the terms and

conditions relating to the transfer or exchange of this bond; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this bond, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions thereof. Capitalized terms used herein, unless otherwise defined, have the same meanings assigned in the Ordinance.

THE CITY RESERVES THE RIGHT, at its option, to redeem the Series 2016C Bonds maturing on September 1, 2026, and thereafter prior to their scheduled maturities, in inverse order of maturity, in whole or in part, in integral multiples of \$5,000, on September 1, 2025, or any date thereafter, at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

NOT LESS THAN THIRTY (30) DAYS prior to a redemption date, a notice of redemption will be sent by U.S. mail, first class postage prepaid, in the name of the City to each registered owner of a Series 2016C Bond to be redeemed in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing. When Series 2016C Bonds or portions thereof have been called for redemption and due provision has been made to redeem the same, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the Series 2016C Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

⁴THIS Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Bond is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the designated payment office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative, subject to the terms and conditions of the Ordinance.

THIS BOND IS EXCHANGEABLE at the corporate trust office of the Paying Agent/Registrar for bonds in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THE PAYING AGENT/REGISTRAR IS NOT REQUIRED to accept for transfer or exchange any Series 2016C Bond called for redemption in whole or in part during the 45 day period immediately prior to the date fixed for redemption.

THE REGISTERED OWNER of this Bond, by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Ordinance.

⁴ In the Initial Bond, this paragraph shall read as follows: "THIS SERIES 2016B BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Bond is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto."

THE CITY has covenanted in the Ordinance that it will at all times provide a legally qualified Paying Agent/Registrar for the Series 2016C Bonds and will cause notice of any change of Paying Agent/Registrar to be mailed to each Registered Owner.

THE CITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL PARITY BONDS, subject to the restrictions contained in the Ordinance, which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Net Revenues in the same manner and to the same extent as the Outstanding Bonds, which includes this Bond and the series of which it is a part.

IT IS HEREBY DECLARED AND REPRESENTED that this Bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, to exist, and to be done precedent to or in the issuance and delivery of this Bond have been performed, have existed, and have been done in accordance with law; that the Series 2016C Bonds do not exceed any statutory limitation; and that provision has been made for the payment of the principal of and interest on this Series 2016C Bond and all of the Series 2016C Bonds by the creation of the aforesaid lien on and pledge of the Net Revenues.

IN WITNESS WHEREOF, the City has caused its corporate seal to be impressed or placed in facsimile hereon and has caused this Bond to be executed by the Mayor and countersigned by the City Secretary by manual, lithographed, or printed facsimile signatures.

CITY OF PEARLAND, TEXAS

Mayor

(SEAL)

COUNTERSIGNED

City Secretary

* * * * *

[FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE]

The following form of Comptroller's Registration Certificate shall be attached or affixed to each of the Series 2016C Bonds initially delivered.

THE STATE OF TEXAS

REGISTER NO. _____

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance

hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the City of Pearland, Texas, payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____
_____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

* * * * *

[FORM OF AUTHENTICATION CERTIFICATE]

The following form of Authentication Certificate shall appear on each of the Series 2016C Bonds.

AUTHENTICATION CERTIFICATE

This bond is one of the Series 2016C Bonds described in and delivered pursuant to the within-mentioned Ordinance; and, except for the Series 2016C Bonds initially delivered, this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue 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.

WELLS FARGO BANK, N.A., Minneapolis,
Minnesota

By: _____
Authorized Signature: _____
Date of Authentication: _____

* * * * *

[FORM OF ASSIGNMENT]

The following form of assignment shall appear on each of the Series 2016C Bonds.

ASSIGNMENT

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

_____.

(Social Security or Other Identifying Number)

(Print or type name, address, and zip code of transferee)

the within bond and hereby irrevocably constitutes and appoints _____ attorney to transfer said bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature Guaranteed:

Registered Owner

NOTICE: The signature must be guaranteed by a commercial bank or a member firm of a national securities exchange. Notarized or witnessed signatures are not acceptable.

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatever.

* * * *

EXHIBIT B

PAYING AGENT/REGISTRAR AGREEMENT

See Tab _

EXHIBIT C

SPECIAL ESCROW DEPOSIT AGREEMENT

See Tab _

EXHIBIT D

PRIVATE PLACEMENT MEMORANDUM

See Tab _

EXHIBIT E

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Article X 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 Article are as specified below:

1. The financial statements of the City for the most recently concluded fiscal year and financial information and operating data for the Authority that conforms substantially to such information and data set out in the Official Statement for the City's Water and Sewer System Revenue Bonds, Series 2016A under the headings "CITY REVENUE DEBT," and "THE SYSTEM."

Accounting Principles

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

PRIVATE PLACEMENT MEMORANDUM DATED JUNE 20, 2016

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Issuer Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$50,100,000

CITY OF PEARLAND, TEXAS

(A political subdivision of the State of Texas located within Brazoria, Fort Bend and Harris Counties)

WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2016C

Dated: July 1, 2016

Due: September 1

Interest Accrual Date: July 28, 2016

- Interest Date:** Interest on the Bonds will accrue from July 28, 2016 (the "Delivery Date") and is payable on March 1 and September 1 each year, commencing March 1, 2017 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."
- Record Date:** The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date (which shall be 15 days prior to the date fixed for payment of past due interest) and of the scheduled payment date of the past due interest 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 Holder of a Bond 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.
- Date Interest Accrues:** Each Bond shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on March 1 and September 1 of each year until the earliest of maturity or prior redemption, commencing on March 1, or September 1, immediately following the Delivery Date.
- Redemption:** The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.
- Authorized Denominations:** The Bonds are being issued as fully registered Bonds in denominations of **\$5,000**, or any integral multiple thereof.
- Paying Agent:** The paying agent ("Paying Agent") for the Bonds is Wells Fargo Bank, N.A., Minneapolis, Minnesota.
- Book-Entry-Only System** Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of Bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent in Minneapolis, Minnesota as the same become due and payable.
- Issuer:** City of Pearland, Texas.
- Official Action:** Bond Ordinance dated July 11, 2016.
- Purpose:** See "APPENDIX B - OFFICIAL ACTION."

Security for the Bonds: See APPENDIX B - OFFICIAL ACTION.”
Ratings: See “OTHER INFORMATION - Ratings”
Delivery Date: July 28, 2016.

**See “APPENDIX A - MATURITY SCHEDULE” for Principal Amounts, Maturities, Interest Rates,
Prices or Yields, and Initial CUSIP Numbers**

City of Pearland, Texas

Mayor and City Council

Council Members

Tom Reid
Mayor

Tony Carbone
Mayor Pro-Tem
Council Member

Derrick Reed
Council Member

Gary Moore
Council Member

Keith Ordeneaux
Council Member

Greg Hill
Council Member

Andrews Kurth LLP, Bond Counsel

BOSC, Inc., Financial Advisor

Wells Fargo Bank, N.A., Paying Agent/Escrow Agent

CD Smith, Construction Manager

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**Private Placement Memorandum
relating to**

\$50,100,000

CITY OF PEARLAND, TEXAS

(A political subdivision of the State of Texas located within Brazoria, Fort Bend and Harris Counties)

WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2016C

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Bonds” pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – “FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE BONDS

General Description

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered Bonds in denominations of **\$5,000**, or any integral multiple thereof. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Bonds issued pursuant to the Texas Constitution, the general laws of the State of Texas, particularly Chapters 1502, Texas Government Code, as amended, and the provisions of the Ordinance adopted by the City Council of the City.

Security for the Bonds

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Redemption Provisions

On September 1, 2025, or on any date thereafter, the Bonds maturing on and after September 1, 2026 may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a

maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Bonds to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - “FORM OF OFFICIAL ACTION.”

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in “APPENDIX C - FORM OF OPINION OF BOND COUNSEL.”

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

The Bonds are rated "Aa3" by Moody's Investors Services, Inc. and "AA-" by Fitch Ratings. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Issuer makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

General

On the date of delivery of the Bonds to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

The Issuer

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or Bond of the Issuer to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Issuer.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

Compliance with Prior Undertakings

During the last 5 years, the City has complied in all material respects with its prior continuing disclosure agreements made in accordance with Rule 15c2-12.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

APPENDIX A

MATURITY SCHEDULE

\$50,100,000

City of Pearland, Texas

Water and Sewer System Revenue Bonds, Series 2016C

Maturity Date (9/1)	Principal Amount	Interest Rate	Initial Yield	CUSIP No. 208418
2017	\$1,860,000	0.00%	0.00%	PV3
2018	1,860,000	0.00%	0.00%	PW1
2019	1,860,000	0.00%	0.00%	PX9
2020	1,860,000	0.00%	0.00%	PY7
2021	1,855,000	0.00%	0.00%	PZ4
2022	1,700,000	0.00%	0.00%	QA8
2023	1,700,000	0.09%	0.09%	QB6
2024	1,700,000	0.20%	0.20%	QC4
2025	1,700,000	0.32%	0.32%	QD2
2026	1,700,000	0.43%	0.43%	QE0
2027	1,700,000	0.54%	0.54%	QF7
2028	1,700,000	0.59%	0.59%	QG5
2029	1,700,000	0.64%	0.64%	QH3
2030	1,700,000	0.70%	0.70%	QJ9
2031	1,700,000	0.76%	0.76%	QK6
2032	1,700,000	0.82%	0.82%	QL4
2033	1,700,000	0.87%	0.87%	QM2
2034	1,700,000	0.92%	0.92%	QN0
2035	1,700,000	0.96%	0.96%	QP5
2036	1,700,000	1.00%	1.00%	QQ3
2037	1,700,000	1.02%	1.02%	QR1
2038	1,700,000	1.04%	1.04%	QS9
2039	1,700,000	1.06%	1.06%	QT7
2040	1,700,000	1.07%	1.07%	QU4
2041	1,700,000	1.08%	1.08%	QV2
2042	1,700,000	1.09%	1.09%	QW0
2043	1,700,000	1.10%	1.10%	QX8
2044	1,700,000	1.11%	1.11%	QY6
2045	1,705,000	1.12%	1.12%	QZ3

APPENDIX B
FORM OF OFFICIAL ACTION
[ATTACH COPY OF OFFICIAL ACTION]

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

City of Pearland, Texas- Revenue Debt

Current Debt plus New Debt

FINAL NUMBERS - Water and Sewer System Revenue Bonds, Series 2016C (TWDB)

Dated Date 07/28/2016

Water and Sewer System Revenue Bonds, Series 2016C

Delivery Date 07/28/2016

(TWDB)

Year Ending 09/30	Current Debt Requirement	New Principal Due 09/01	Interest Various Due 03/01	Interest Various Due 09/01	Total New Interest	Total New Principal & Interest	Total Debt Service Requirement
2016	8,546,828						8,546,828
2017	10,560,986	1,860,000	186,414	157,533	343,947	2,203,947	12,764,933
2018	10,482,316	1,860,000	157,533	157,533	315,066	2,175,066	12,657,382
2019	10,477,845	1,860,000	157,533	157,533	315,066	2,175,066	12,652,911
2020	10,480,772	1,860,000	157,533	157,533	315,066	2,175,066	12,655,838
2021	10,538,412	1,855,000	157,533	157,533	315,066	2,170,066	12,708,478
2022	10,531,575	1,700,000	157,533	157,533	315,066	2,015,066	12,546,641
2023	10,526,075	1,700,000	157,533	157,533	315,066	2,015,066	12,541,141
2024	9,468,912	1,700,000	156,768	156,768	313,536	2,013,536	11,482,448
2025	9,520,857	1,700,000	155,068	155,068	310,136	2,010,136	11,530,993
2026	9,779,280	1,700,000	152,348	152,348	304,696	2,004,696	11,783,976
2027	9,767,218	1,700,000	148,693	148,693	297,386	1,997,386	11,764,604
2028	9,759,706	1,700,000	144,103	144,103	288,206	1,988,206	11,747,912
2029	9,759,231	1,700,000	139,088	139,088	278,176	1,978,176	11,737,407
2030	9,753,344	1,700,000	133,648	133,648	267,296	1,967,296	11,720,640
2031	9,737,613	1,700,000	127,698	127,698	255,396	1,955,396	11,693,009
2032	5,442,763	1,700,000	121,238	121,238	242,476	1,942,476	7,385,239
2033	5,443,719	1,700,000	114,268	114,268	228,536	1,928,536	7,372,255
2034	5,439,231	1,700,000	106,873	106,873	213,746	1,913,746	7,352,977
2035	2,344,981	1,700,000	99,053	99,053	198,106	1,898,106	4,243,087
2036	1,463,413	1,700,000	90,893	90,893	181,786	1,881,786	3,345,199
2037	1,013,306	1,700,000	82,393	82,393	164,786	1,864,786	2,878,092
2038	650,131	1,700,000	73,723	73,723	147,446	1,847,446	2,497,577
2039	663,200	1,700,000	64,883	64,883	129,766	1,829,766	2,492,966
2040		1,700,000	55,873	55,873	111,746	1,811,746	1,811,746
2041		1,700,000	46,778	46,778	93,556	1,793,556	1,793,556
2042		1,700,000	37,598	37,598	75,196	1,775,196	1,775,196
2043		1,700,000	28,333	28,333	56,666	1,756,666	1,756,666
2044		1,700,000	18,983	18,983	37,966	1,737,966	1,737,966
2045		1,705,000	9,548	9,548	19,096	1,724,096	1,724,096
Totals	\$182,151,714	\$50,100,000	\$3,239,463	\$3,210,582	\$6,450,045	\$56,550,045	\$238,701,759

NEW16TWDBC1900010 Dated Date: 07/28/2016 Principal Due Dates: 09/01/2017 - 09/01/2045 Maturing Amount: 50,100,000.00

City of Pearland, Texas- Revenue Debt

Sources & Uses Report

FINAL NUMBERS - Water and Sewer System Revenue Bonds, Series 2016C (TWDB)

Sources of Funds:

Principal Amount of Current Interest Bonds (CIBs)	39,105,000.00
Compound Accretion Bond Proceeds (CABs)	10,995,000.00
Total SOURCES of Funds	\$50,100,000.00

Uses of Funds:

Deposit to Construction Fund	49,075,150.00
Issuance Expenses: (\$1,024,850.00)	
TWDB Origination Fee	926,850.00
Bond Counsel	40,000.00
Paying Agent	2,000.00
Financial Advisor	45,500.00
Attorney General	9,500.00
Miscellaneous	1,000.00
Total USES of Funds	\$50,100,000.00

Miscellaneous Bond Issuance Information:

Delivery Date:	07/28/2016
	-
Principal Amount of the New Money Bonds	50,100,000.00
Proceeds of "The (new) Bonds"	50,100,000.00
	-
"All Costs Included" TIC on the New Issue is	0.97409806%
Federal Arbitrage Yield on the New Issue is	0.80068038%

City of Pearland, Texas- Revenue Debt

FINAL NUMBERS - Water and Sewer System Revenue Bonds, Series 2016C (TWDB)

Dated Date = 07/28/2016

Water and Sewer System Revenue Bonds, Series 2016C

Delivery Date = 07/28/2016

(TWDB)

Dates	Term Bond Maturities	Bond Redemptions	Proceeds	Coupon Rate	Yield	Price	Interest Amount	Total Debt Service	Fiscal Year Debt Service	Debt Service to Call
03/01/2017	-	-	-	-	-	-	186,414.05	186,414.05	-	186,414.05
09/01/2017	-	1,860,000.00	1,860,000.00	-	-	100.000000	157,533.00	2,017,533.00	2,203,947.05	2,017,533.00
03/01/2018	-	-	-	-	-	-	157,533.00	157,533.00	-	157,533.00
09/01/2018	-	1,860,000.00	1,860,000.00	-	-	100.000000	157,533.00	2,017,533.00	2,175,066.00	2,017,533.00
03/01/2019	-	-	-	-	-	-	157,533.00	157,533.00	-	157,533.00
09/01/2019	-	1,860,000.00	1,860,000.00	-	-	100.000000	157,533.00	2,017,533.00	2,175,066.00	2,017,533.00
03/01/2020	-	-	-	-	-	-	157,533.00	157,533.00	-	157,533.00
09/01/2020	-	1,860,000.00	1,860,000.00	-	-	100.000000	157,533.00	2,017,533.00	2,175,066.00	2,017,533.00
03/01/2021	-	-	-	-	-	-	157,533.00	157,533.00	-	157,533.00
09/01/2021	-	1,855,000.00	1,855,000.00	-	-	100.000000	157,533.00	2,012,533.00	2,170,066.00	2,012,533.00
03/01/2022	-	-	-	-	-	-	157,533.00	157,533.00	-	157,533.00
09/01/2022	-	1,700,000.00	1,700,000.00	-	-	100.000000	157,533.00	1,857,533.00	2,015,066.00	1,857,533.00
03/01/2023	-	-	-	-	-	-	157,533.00	157,533.00	-	157,533.00
09/01/2023	-	1,700,000.00	1,700,000.00	0.090	0.090000	100.000000	157,533.00	1,857,533.00	2,015,066.00	1,857,533.00
03/01/2024	-	-	-	-	-	-	156,768.00	156,768.00	-	156,768.00
09/01/2024	-	1,700,000.00	1,700,000.00	0.200	0.200000	100.000000	156,768.00	1,856,768.00	2,013,536.00	1,856,768.00
03/01/2025	-	-	-	-	-	-	155,068.00	155,068.00	-	155,068.00
09/01/2025	-	1,700,000.00	1,700,000.00	0.320	0.320000	100.000000	155,068.00	1,855,068.00	2,010,136.00	35,860,068.00
03/01/2026	-	-	-	-	-	-	152,348.00	152,348.00	-	-
09/01/2026	-	1,700,000.00 *	1,700,000.00	0.430	0.430000	100.000000	152,348.00	1,852,348.00	2,004,696.00	-
03/01/2027	-	-	-	-	-	-	148,693.00	148,693.00	-	-
09/01/2027	-	1,700,000.00 *	1,700,000.00	0.540	0.540000	100.000000	148,693.00	1,848,693.00	1,997,386.00	-
03/01/2028	-	-	-	-	-	-	144,103.00	144,103.00	-	-
09/01/2028	-	1,700,000.00 *	1,700,000.00	0.590	0.590000	100.000000	144,103.00	1,844,103.00	1,988,206.00	-
03/01/2029	-	-	-	-	-	-	139,088.00	139,088.00	-	-
09/01/2029	-	1,700,000.00 *	1,700,000.00	0.640	0.640000	100.000000	139,088.00	1,839,088.00	1,978,176.00	-
03/01/2030	-	-	-	-	-	-	133,648.00	133,648.00	-	-
09/01/2030	-	1,700,000.00 *	1,700,000.00	0.700	0.700000	100.000000	133,648.00	1,833,648.00	1,967,296.00	-
03/01/2031	-	-	-	-	-	-	127,698.00	127,698.00	-	-
09/01/2031	-	1,700,000.00 *	1,700,000.00	0.760	0.760000	100.000000	127,698.00	1,827,698.00	1,955,396.00	-
03/01/2032	-	-	-	-	-	-	121,238.00	121,238.00	-	-
09/01/2032	-	1,700,000.00 *	1,700,000.00	0.820	0.820000	100.000000	121,238.00	1,821,238.00	1,942,476.00	-
03/01/2033	-	-	-	-	-	-	114,268.00	114,268.00	-	-
09/01/2033	-	1,700,000.00 *	1,700,000.00	0.870	0.870000	100.000000	114,268.00	1,814,268.00	1,928,536.00	-
03/01/2034	-	-	-	-	-	-	106,873.00	106,873.00	-	-
09/01/2034	-	1,700,000.00 *	1,700,000.00	0.920	0.920000	100.000000	106,873.00	1,806,873.00	1,913,746.00	-
03/01/2035	-	-	-	-	-	-	99,053.00	99,053.00	-	-
09/01/2035	-	1,700,000.00 *	1,700,000.00	0.960	0.960000	100.000000	99,053.00	1,799,053.00	1,898,106.00	-
03/01/2036	-	-	-	-	-	-	90,893.00	90,893.00	-	-
09/01/2036	-	1,700,000.00 *	1,700,000.00	1.000	1.000000	100.000000	90,893.00	1,790,893.00	1,881,786.00	-
03/01/2037	-	-	-	-	-	-	82,393.00	82,393.00	-	-
09/01/2037	-	1,700,000.00 *	1,700,000.00	1.020	1.020000	100.000000	82,393.00	1,782,393.00	1,864,786.00	-
03/01/2038	-	-	-	-	-	-	73,723.00	73,723.00	-	-
09/01/2038	-	1,700,000.00 *	1,700,000.00	1.040	1.040000	100.000000	73,723.00	1,773,723.00	1,847,446.00	-
03/01/2039	-	-	-	-	-	-	64,883.00	64,883.00	-	-
09/01/2039	-	1,700,000.00 *	1,700,000.00	1.060	1.060000	100.000000	64,883.00	1,764,883.00	1,829,766.00	-

Dates	Term Bond Maturities	Bond Redemptions	Proceeds	Coupon Rate	Yield	Price	Interest Amount	Total Debt Service	Fiscal Year Debt Service	Debt Service to Call
03/01/2040	-	-	-	-	-	-	55,873.00	55,873.00	-	-
09/01/2040	-	1,700,000.00 *	1,700,000.00	1.070	1.070000	100.000000	55,873.00	1,755,873.00	1,811,746.00	-
03/01/2041	-	-	-	-	-	-	46,778.00	46,778.00	-	-
09/01/2041	-	1,700,000.00 *	1,700,000.00	1.080	1.080000	100.000000	46,778.00	1,746,778.00	1,793,556.00	-
03/01/2042	-	-	-	-	-	-	37,598.00	37,598.00	-	-
09/01/2042	-	1,700,000.00 *	1,700,000.00	1.090	1.090000	100.000000	37,598.00	1,737,598.00	1,775,196.00	-
03/01/2043	-	-	-	-	-	-	28,333.00	28,333.00	-	-
09/01/2043	-	1,700,000.00 *	1,700,000.00	1.100	1.100000	100.000000	28,333.00	1,728,333.00	1,756,666.00	-
03/01/2044	-	-	-	-	-	-	18,983.00	18,983.00	-	-
09/01/2044	-	1,700,000.00 *	1,700,000.00	1.110	1.110000	100.000000	18,983.00	1,718,983.00	1,737,966.00	-
03/01/2045	-	-	-	-	-	-	9,548.00	9,548.00	-	-
09/01/2045	-	1,705,000.00 *	1,705,000.00	1.120	1.120000	100.000000	9,548.00	1,714,548.00	1,724,096.00	-
Total	-	50,100,000.00	50,100,000.00				6,450,045.05	56,550,045.05	56,550,045.05	52,958,015.05
Acc Int	-	-	-				-	-	-	-
Grand Ttls	-	50,100,000.00	50,100,000.00				6,450,045.05	56,550,045.05	56,550,045.05	52,958,015.05

* - Bonds callable ... 09/01/2025@100.000

TIC (Incl. all expenses) 1.00503101% Average Coupon 0.86390799%

TIC (Arbitrage TIC) 0.85504910% Average Life (yrs) ... 14.90 IRS Form 8038-G NIC = 0.863908% (with Adjstmnt of \$0.00).

Bond Years 746,612.50 WAM (yrs) 14.902445 NIC = 0.863908% (with Adjstmnt of \$0.00).

City of Pearland, Texas- Revenue Debt

Proof of Federal Arbitrage Yield

FINAL NUMBERS - Water and Sewer System Revenue Bonds, Series 2016C (TWDB)

Dated Date 07/28/2016

Water and Sewer System Revenue Bonds, Series 2016C
(TWDB)

Delivery Date 07/28/2016

Dates	Face Amounts	Proceeds to: Bondholder(+) Issuer(-)	Interest to: Bondholder(+) Issuer(-)	Recoverable, Recurring Fees	Total Debt Service	Disc Term Bond Adjstmt for Yld Calc	BAB "Direct Pymt" Adjustment	Total Adjusted Cash Flow	PV of Adj D/S to 07/28/2016 @ 0.85504910%
07/28/2016	0.00	-50,100,000.00	0.00	0.00	0.00	0.00	0.00	-50,100,000.00	-50,100,000.00
03/01/2017	0.00	0.00	186,414.05	0.00	186,414.05	0.00	0.00	186,414.05	185,475.36
09/01/2017	1,860,000.00	1,860,000.00	157,533.00	0.00	2,017,533.00	0.00	0.00	2,017,533.00	1,998,828.16
03/01/2018	0.00	0.00	157,533.00	0.00	157,533.00	0.00	0.00	157,533.00	155,408.08
09/01/2018	1,860,000.00	1,860,000.00	157,533.00	0.00	2,017,533.00	0.00	0.00	2,017,533.00	1,981,846.18
03/01/2019	0.00	0.00	157,533.00	0.00	157,533.00	0.00	0.00	157,533.00	154,087.74
09/01/2019	1,860,000.00	1,860,000.00	157,533.00	0.00	2,017,533.00	0.00	0.00	2,017,533.00	1,965,008.47
03/01/2020	0.00	0.00	157,533.00	0.00	157,533.00	0.00	0.00	157,533.00	152,778.61
09/01/2020	1,860,000.00	1,860,000.00	157,533.00	0.00	2,017,533.00	0.00	0.00	2,017,533.00	1,948,313.82
03/01/2021	0.00	0.00	157,533.00	0.00	157,533.00	0.00	0.00	157,533.00	151,480.61
09/01/2021	1,855,000.00	1,855,000.00	157,533.00	0.00	2,012,533.00	0.00	0.00	2,012,533.00	1,926,973.58
03/01/2022	0.00	0.00	157,533.00	0.00	157,533.00	0.00	0.00	157,533.00	150,193.64
09/01/2022	1,700,000.00	1,700,000.00	157,533.00	0.00	1,857,533.00	0.00	0.00	1,857,533.00	1,763,452.52
03/01/2023	0.00	0.00	157,533.00	0.00	157,533.00	0.00	0.00	157,533.00	148,917.60
09/01/2023	1,700,000.00	1,700,000.00	157,533.00	0.00	1,857,533.00	0.00	0.00	1,857,533.00	1,748,470.28
03/01/2024	0.00	0.00	156,768.00	0.00	156,768.00	0.00	0.00	156,768.00	146,935.38
09/01/2024	1,700,000.00	1,700,000.00	156,768.00	0.00	1,856,768.00	0.00	0.00	1,856,768.00	1,732,901.37
03/01/2025	0.00	0.00	155,068.00	0.00	155,068.00	0.00	0.00	155,068.00	144,107.18
09/01/2025	1,700,000.00	1,700,000.00	155,068.00	0.00	1,855,068.00	0.00	0.00	1,855,068.00	1,716,605.58
03/01/2026	0.00	0.00	152,348.00	0.00	152,348.00	0.00	0.00	152,348.00	140,376.59
09/01/2026	1,700,000.00	1,700,000.00	152,348.00	0.00	1,852,348.00	0.00	0.00	1,852,348.00	1,699,525.76
03/01/2027	0.00	0.00	148,693.00	0.00	148,693.00	0.00	0.00	148,693.00	135,844.77
09/01/2027	1,700,000.00	1,700,000.00	148,693.00	0.00	1,848,693.00	0.00	0.00	1,848,693.00	1,681,761.68
03/01/2028	0.00	0.00	144,103.00	0.00	144,103.00	0.00	0.00	144,103.00	130,532.88
09/01/2028	1,700,000.00	1,700,000.00	144,103.00	0.00	1,844,103.00	0.00	0.00	1,844,103.00	1,663,333.42
03/01/2029	0.00	0.00	139,088.00	0.00	139,088.00	0.00	0.00	139,088.00	124,919.73
09/01/2029	1,700,000.00	1,700,000.00	139,088.00	0.00	1,839,088.00	0.00	0.00	1,839,088.00	1,644,716.82
03/01/2030	0.00	0.00	133,648.00	0.00	133,648.00	0.00	0.00	133,648.00	119,014.08
09/01/2030	1,700,000.00	1,700,000.00	133,648.00	0.00	1,833,648.00	0.00	0.00	1,833,648.00	1,625,919.64
03/01/2031	0.00	0.00	127,698.00	0.00	127,698.00	0.00	0.00	127,698.00	112,749.45
09/01/2031	1,700,000.00	1,700,000.00	127,698.00	0.00	1,827,698.00	0.00	0.00	1,827,698.00	1,606,874.76
03/01/2032	0.00	0.00	121,238.00	0.00	121,238.00	0.00	0.00	121,238.00	106,136.22
09/01/2032	1,700,000.00	1,700,000.00	121,238.00	0.00	1,821,238.00	0.00	0.00	1,821,238.00	1,587,591.55
03/01/2033	0.00	0.00	114,268.00	0.00	114,268.00	0.00	0.00	114,268.00	99,184.53
09/01/2033	1,700,000.00	1,700,000.00	114,268.00	0.00	1,814,268.00	0.00	0.00	1,814,268.00	1,568,079.23
03/01/2034	0.00	0.00	106,873.00	0.00	106,873.00	0.00	0.00	106,873.00	91,977.54
09/01/2034	1,700,000.00	1,700,000.00	106,873.00	0.00	1,806,873.00	0.00	0.00	1,806,873.00	1,548,419.65
03/01/2035	0.00	0.00	99,053.00	0.00	99,053.00	0.00	0.00	99,053.00	84,523.20
09/01/2035	1,700,000.00	1,700,000.00	99,053.00	0.00	1,799,053.00	0.00	0.00	1,799,053.00	1,528,619.82
03/01/2036	0.00	0.00	90,893.00	0.00	90,893.00	0.00	0.00	90,893.00	76,901.22
09/01/2036	1,700,000.00	1,700,000.00	90,893.00	0.00	1,790,893.00	0.00	0.00	1,790,893.00	1,508,758.23
03/01/2037	0.00	0.00	82,393.00	0.00	82,393.00	0.00	0.00	82,393.00	69,117.43
09/01/2037	1,700,000.00	1,700,000.00	82,393.00	0.00	1,782,393.00	0.00	0.00	1,782,393.00	1,488,839.79
03/01/2038	0.00	0.00	73,723.00	0.00	73,723.00	0.00	0.00	73,723.00	61,318.95
09/01/2038	1,700,000.00	1,700,000.00	73,723.00	0.00	1,773,723.00	0.00	0.00	1,773,723.00	1,469,010.09
03/01/2039	0.00	0.00	64,883.00	0.00	64,883.00	0.00	0.00	64,883.00	53,507.81

Dates	Face Amounts	Proceeds to: Bondholder(+) Issuer(-)	Interest to: Bondholder(+) Issuer(-)	Recoverable, Recurring Fees	Total Debt Service	Disc Term Bond Adjstmt for Yld Calc	BAB "Direct Pymt" Adjustment	Total Adjusted Cash Flow	PV of Adj D/S to 07/28/2016 @ 0.85504910%
09/01/2039	1,700,000.00	1,700,000.00	64,883.00	0.00	1,764,883.00	0.00	0.00	1,764,883.00	1,449,270.28
03/01/2040	0.00	0.00	55,873.00	0.00	55,873.00	0.00	0.00	55,873.00	45,685.95
09/01/2040	1,700,000.00	1,700,000.00	55,873.00	0.00	1,755,873.00	0.00	0.00	1,755,873.00	1,429,621.44
03/01/2041	0.00	0.00	46,778.00	0.00	46,778.00	0.00	0.00	46,778.00	37,924.24
09/01/2041	1,700,000.00	1,700,000.00	46,778.00	0.00	1,746,778.00	0.00	0.00	1,746,778.00	1,410,133.24
03/01/2042	0.00	0.00	37,598.00	0.00	37,598.00	0.00	0.00	37,598.00	30,222.78
09/01/2042	1,700,000.00	1,700,000.00	37,598.00	0.00	1,737,598.00	0.00	0.00	1,737,598.00	1,390,804.95
03/01/2043	0.00	0.00	28,333.00	0.00	28,333.00	0.00	0.00	28,333.00	22,581.70
09/01/2043	1,700,000.00	1,700,000.00	28,333.00	0.00	1,728,333.00	0.00	0.00	1,728,333.00	1,371,635.84
03/01/2044	0.00	0.00	18,983.00	0.00	18,983.00	0.00	0.00	18,983.00	15,001.11
09/01/2044	1,700,000.00	1,700,000.00	18,983.00	0.00	1,718,983.00	0.00	0.00	1,718,983.00	1,352,625.19
03/01/2045	0.00	0.00	9,548.00	0.00	9,548.00	0.00	0.00	9,548.00	7,481.10
09/01/2045	1,705,000.00	1,705,000.00	9,548.00	0.00	1,714,548.00	0.00	0.00	1,714,548.00	1,337,673.18
Totals	50,100,000.00	0.00	6,450,045.05	0.00	56,550,045.05	0.00	0.00	6,450,045.05	0.00
								<i>Plus PV of Bond Insurance</i>	0.00
									0.00

City of Pearland, Texas- Revenue Debt

Partial Form 8038-G Report (Rev. 11-2000)

FINAL NUMBERS - Water and Sewer System Revenue Bonds, Series 2016C (TWDB)

Dated Date = 07/28/2016

Water and Sewer System Revenue Bonds, Series 2016C
(TWDB)

Delivery Date = 07/28/2016

Part III Description of Obligations. (Complete for the entire issue for which this form is being filed.)

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	09/01/2045	\$50,100,000.00	\$50,100,000.00	14.902 years	0.800680%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest		22	0.00
23	Issue price of entire issue (enter amount from line 21, column (b))		23	50,100,000.00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	1,024,850.00	##
25	Proceeds used for credit enhancement	25	0.00	##
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0.00	##
27	Proceeds used to currently refund prior issues	27	0.00	##
28	Proceeds used to advance refund prior issues	28	0.00	##
29	Total (add lines 24 through 28)	29	1,024,850.00	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	49,075,150.00	

Part V Description of Refunded Bonds (Complete this part only for refunded bonds.)

31	Enter the remaining weighted average maturity of the bonds to be currently refunded	=>	0.0000 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	=>	0.0000 years
33	Enter the last date on which the refunded bonds will be called	=>	
34	Enter the date(s) the refunded bonds were issued		See each Issue's O/S

**City of Pearland, Texas- Revenue Debt
 Issuance Expenses for NEW16TWDBC
 FINAL NUMBERS - Water and Sewer System Revenue Bonds, Series 2016C (TWDB)
 Expenses for NEW16TWDBC**

Expense Title	Type	Units	Expense Raises Arb Yield	Exp has no Affect on Arb Yield	Total
TWDB Origination Fee	V	18.500000	0.00	926,850.00	926,850.00
Rating Agency	F	0.00	0.00	0.00	0.00
Bond Counsel	F	40,000.00	0.00	40,000.00	40,000.00
Accountant/CPA	F	0.00	0.00	0.00	0.00
Printing	F	0.00	0.00	0.00	0.00
Paying Agent	F	2,000.00	0.00	2,000.00	2,000.00
Bond Insurance	D	0.000000	0.00	0.00	0.00
Financial Advisor	F	45,500.00	0.00	45,500.00	45,500.00
Attorney General	F	9,500.00	0.00	9,500.00	9,500.00
Miscellaneous	F	1,000.00	0.00	1,000.00	1,000.00
Totals			\$0.00	\$1,024,850.00	\$1,024,850.00
<p>Type: <i>F - Fixed Expense</i> <i>V - Variable Expense Based on Issue Size</i> <i>D - Variable Expense Based on Total Debt Service</i> <i>E - Variable Expense Based on Total Debt Service Less Accrued Interest</i> <i>R - Variable Expense Based on Reserve Fund Requirement</i></p>					

City of Pearland, Texas
Final Cash Flows
Existing Debt Service and Actual 2016B and 2016C TWDB Clean Water State Revolving Fund Loan

Fiscal Year Ended 30-Sep	Operating Revenues	Operating Expenses	Net Revenues Available	Existing Debt Service (a)	Series 2016B TWDB Loan (b)		Series 2016C TWDB Loan (c)		Total Debt Service	Average Annual Debt Service	Coverage (d)
					Principal	Interest	Principal	Interest			
2016	37,439,538	23,591,463	13,848,075	8,546,828	-	-	-	-	8,546,828	7,956,725	1.74
2017	39,209,015	23,908,796	15,300,219	9,317,773	1,235,000	8,213	1,860,000	343,947	12,764,933	7,936,377	1.93
2018	40,711,242	24,132,306	16,578,936	9,244,793	1,230,000	7,524	1,860,000	315,066	12,657,382	7,763,928	2.14
2019	41,588,812	25,449,963	16,138,849	9,240,321	1,230,000	7,524	1,860,000	315,066	12,652,911	7,582,689	2.13
2020	42,717,956	25,699,924	17,018,032	9,238,249	1,235,000	7,524	1,860,000	315,066	12,655,838	7,387,681	2.30
2021	43,589,028	29,991,963	13,597,065	9,295,889	1,235,000	7,524	1,855,000 (e)	315,066	12,708,478	7,176,955	1.89
2022	44,463,170	30,287,345	14,175,825	9,289,051	1,235,000	7,524	1,700,000	315,066	12,546,641	6,946,474	2.04
2023	45,051,241	30,308,553	14,742,688	9,283,551	1,235,000	7,524	1,700,000	315,066	12,541,141	6,702,989	2.20
2024	45,051,241	30,886,999	14,164,243	8,232,500	1,230,000	6,412	1,700,000	313,536	11,482,448	6,437,618	2.20
2025	45,051,241	31,191,330	13,859,912	8,281,905	1,235,000	3,952	1,700,000	310,136	11,530,993	6,197,388	2.24
2026	45,051,241	30,397,820	14,653,422	9,779,280			1,700,000	304,696	11,783,976	5,930,708	2.47
2027	45,051,241	30,696,336	14,354,905	9,767,218			1,700,000	297,386	11,764,604	5,622,642	2.55
2028	45,051,241	30,997,800	14,053,441	9,759,706			1,700,000	288,206	11,747,912	5,281,421	2.66
2029	45,051,241	31,302,240	13,749,001	9,759,231			1,700,000	278,176	11,737,407	4,901,040	2.81
2030	45,051,241	31,609,686	13,441,556	9,753,344			1,700,000	267,296	11,720,640	4,473,767	3.00
2031	45,051,241	31,920,167	13,131,075	9,737,613			1,700,000	255,396	11,693,009	3,990,642	3.29
2032	45,051,241	32,069,873	12,981,368	5,442,763			1,700,000	242,476	7,385,239	3,440,473	3.77
2033	45,051,241	32,385,369	12,665,873	5,443,719			1,700,000	228,536	7,372,255	3,137,029	4.04
2034	45,051,241	32,703,983	12,347,259	5,439,231			1,700,000	213,746	7,352,977	2,784,094	4.43
2035	45,051,241	33,025,746	12,025,495	2,344,981			1,700,000	198,106	4,243,087	2,368,741	5.08
2036	45,051,241	33,350,690	11,700,551	1,463,413			1,700,000	181,786	3,345,199	2,181,306	5.36
2037	45,051,241	33,678,847	11,372,395	1,013,306			1,700,000	164,786	2,878,092	2,051,985	5.54
2038	45,051,241	34,010,247	11,040,994	650,131			1,700,000	147,446	2,497,577	1,948,721	5.67
2039	45,051,241	34,344,924	10,706,317	663,200			1,700,000	129,766	2,492,966	1,870,313	5.72
2040	45,051,241	34,682,910	10,368,332				1,700,000	111,746	1,811,746	1,766,538	5.87
2041	45,051,241	35,024,237	10,027,004				1,700,000	93,556	1,793,556	1,757,496	5.71
2042	45,051,241	35,368,939	9,682,302				1,700,000	75,196	1,775,196	1,748,481	5.54
2043	45,051,241	35,717,049	9,334,192				1,700,000	56,666	1,756,666	1,739,576	5.37
2044	45,051,241	36,068,601	8,982,640				1,700,000	37,966	1,737,966	1,731,031	5.19
2045	45,051,241	36,423,630	8,627,611				1,705,000	19,096	1,724,096	1,724,096	5.00
Total				170,987,995	11,100,000	63,721	50,100,000	6,450,045	238,701,758		

Note: Includes estimated costs of issuance and TWDB Loan Origination Fee of 1.85%. Assumes the Reserve Fund will be funded with cash by the City over a 60-month period. Generates proceeds of \$59,950,000 for the City.

- (a) Does not include General Obligation debt paid by Waterworks and Sewer System Revenues.
- (b) Generates proceeds of \$10,837,350.00 for the City
- (c) Generates proceeds of \$49,075,150.00 for the City
- (e) Coverage of 1.40x the average annual debt service requirements at the time of the Bond Sale is required per the Bond Order.
- (f) Generates proceeds of \$820,000 during the first 5 years for technology related expenditures.

Memo

To: Cynthia A. Pearson, Finance Director

From: Daniel McGhinnis, Chief Information Officer

Cc: Trent Epperson
Eric Wilson
Sue Polka

Date: June 6, 2016

Re: Reflection Bay Technology

Part of the Reflection Bay Expansion project included connectivity into the City's fiber network along with servers and infrastructure to support the addition. During the design process, several discussions took place surrounding the utilization of technology and it was decided that a centralized approach should be taken. This solution allows the Public Works Department to connect to the environment from any location and access vital information necessary for the plant to operate; thereby, enabling decision makers access to data in a timely manner and facilitating a quicker response and resolution. It also provides built-in redundancy to allow the city to maintain operational continuity across the organization. Bringing this solution, modernizes the SCADA system and aligns it with one of the council goals "sustainable infrastructure".

The equipment is essential integrated part of a successful project. Rather than finance it for the 25- or 30-years of the bonds, the technology component of the bonds were amortized over a 5 year period to match the useful life expectancy of the hardware, shorter than the building and other improvements. The Reflection Bay plant required equipment that was rugged and durable to survive the harsh elements. These components are more expensive than typical office infrastructure given the use of chemicals used in the treatment process and the general nature of the plant's operation.

Another discussion during the design process revolved around the acquisition of the equipment as well as the security of the SCADA system. The IT Department recommended removing as much of the technology as possible from the general construction bid for two specific reasons. The primary reason was to reduce the costs associated with the acquisition of servers and infrastructure. By removing these components from the bid, the City will be able to save money by not incurring the markup costs the General Contractor would have applied to the equipment. It also allows the City to take advantage of state negotiated (DIR) pricing or seek competitive bids from a variety of vendors that can supply the hardware only. Since the City will be seeking procurement of hardware and not services for the installation and configuration, it will further the cost saving measure. The procurement of this equipment will be brought forward at a future council meeting.

The second purpose for removing the technology component was to allow the expertise of the City's IT Department staff to handle the necessary security surrounding the plant's operation. The City employs an expert in network administration and security and this allows the individual to regulate the data communication for authorized personnel only. Protecting the City's water and waste water facilities is a top priority while still allowing authorized individuals the necessary access for daily operations.