



**NOTICE OF SPECIAL MEETING AND WORK SESSION
AGENDA
LANCASTER CITY COUNCIL
MUNICIPAL CENTER CITY COUNCIL CHAMBERS
211 N. HENRY STREET, LANCASTER, TEXAS**

August 3, 2015 - 7:00 PM

(7:00 P.M.) SPECIAL MEETING:

CALL TO ORDER

ACTION:

1. Discuss and consider an ordinance authorizing and ordering the issuance of City of Lancaster, Texas, General Obligation Refunding and Improvement Bonds, Series 2015.
2. Discuss and consider an ordinance authorizing the issuance of City of Lancaster, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015; and containing other matters incident thereto.
3. Discuss the proposed FY 2015-2016 tax rate of \$0.8675 per \$100 assessed valuation, receive related tax calculation documents, take record vote to consider a tax rate to increase total tax revenues from properties on the tax roll in the previous year and set public hearing dates on the proposed tax rate.
4. Consider a Resolution Adopting the City of Lancaster Proposed Budget Calendar for Fiscal Year 2015-2016.

Adjourn Special Meeting

(7:15 P.M.) WORK SESSION:

1. Receive a presentation and discuss the Fiscal Year 2015-2016 proposed budget.

ADJOURNMENT

EXECUTIVE SESSION: The Council reserves the right to convene into executive session on any posted agenda item pursuant to Section 551.071(2) of the TEXAS GOVERNMENT CODE to seek legal advice concerning such subject.

ACCESSIBILITY STATEMENT: The Municipal Center is wheelchair-accessible. For sign interpretive services, call the City Secretary's office, 972-218-1311, or TDD 1-800-735-2989, at least 72 hours prior to the meeting. Reasonable accommodation will be made to assist your needs.

Certificate

I hereby certify the above Notice of Meeting was posted at the Lancaster City Hall on July 30, 2015 @ 6:00 p.m. and copies thereof were provided to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.

Sorangel O. Arenas
City Secretary

LANCASTER CITY COUNCIL

Special Meeting Agenda Communication

August 3, 2015

Item 1

Discuss and consider an ordinance authorizing and ordering the issuance of City of Lancaster, Texas, General Obligation Refunding and Improvement Bonds, Series 2015; and making other provisions regarding such bonds, including use of the proceeds thereof, and matters incident thereto.

This request supports the City Council 2015-2016 Policy Agenda.

**Goal: Financially Sound City Government
Sound Infrastructure**

Background

Council has expressed a desire to issue debt for the planning, design, construction, and reconstruction, of various street and roadway improvements. Staff met with First Southwest, the City's Financial Advisors, to discuss options. Based upon current market conditions, the City has the opportunity to refund portions of its outstanding debt and realize debt service savings. The two issues that are being refunded are the General Obligation Refunding and Improvement Bonds, Series 2007, with an outstanding principal amount of \$11,270,000.00; and Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2007, with an outstanding principal amount of \$7,310,000.00.

Subsequently, staff met with the rating agencies and our ratings have been confirmed as "Aa3" from Moody's and "AA-" from Standard and Poor's.

Considerations

- **Operational** – Approving this ordinance authorizes the City to issue General Obligation Refunding and Improvement Bonds, Series 2015 to be utilized for the planning, designing, construction, and reconstruction, of various street and roadway improvements; and the refunding of a portion of existing debt for debt service savings.
- **Legal** – The ordinance has been prepared by West and Associates, LLP, the City's Bond Counsel.
- **Financial** – The issuance of this debt will not increase the debt portion (I&S) of the city's tax rate. All fees are included in the debt issuance; no additional funds need to be budgeted. Bond issuance costs are paid at closing from the proceeds of the bond issue; therefore, no out of pocket costs are incurred.

- **Public Information** – This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Options/Alternatives

1. City Council may approve the ordinance as presented.
2. City Council may deny the ordinance.

Recommendation

Staff recommends approval of the ordinance authorizing the issuance of City of Lancaster, Texas, General Obligation Refunding and Improvement Bonds, Series 2015 in an amount not to exceed \$23,550,000 for refunding a portion of the City's outstanding debt; and planning, designing, construction, and reconstruction, of various street and roadway improvements.

Attachments

Ordinance

Submitted by:

Cynthia Pearson, Director of Finance

ORDINANCE AUTHORIZING AND ORDERING THE ISSUANCE OF CITY OF LANCASTER, TEXAS, GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2015; AND MAKING OTHER PROVISIONS REGARDING SUCH BONDS, INCLUDING USE OF THE PROCEEDS THEREOF, AND MATTERS INCIDENT THERETO

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

ARTICLE I.

FINDINGS AND DETERMINATIONS

Section 1.1.: Findings and Determinations. The City Council hereby officially finds and determines that:

- (a) The City of Lancaster, Texas (the “City”), acting through its City Council, is authorized by its Home Rule Charter and the Constitution and laws of the State of Texas, particularly Chapters 1331 and 1207 of the Texas Government Code, as amended, to issue bonds for the purpose of making needed public improvements and refunding the Refunded Obligations (hereinafter defined);
- (b) The issuance of the new money portion of the bonds herein authorized was approved by the voters of the City at an election held for such purpose on November 6, 2007 (the “Election”);
- (c) The City Council canvassed the returns of the Election and by Ordinance No. 2007-11-130, adopted November 14, 2007, declared the results to be in favor of the issuance of such bonds;
- (d) The City has not previously issued any of the bonds authorized by the Election, and has now determined that it is necessary and advisable to authorize, issue and deliver the full amount of such authorized bonds in the principal amount of \$_____;
- (e) The City, acting through its City Council, has heretofore issued, assumed or undertaken and there remain outstanding the obligations described in **Exhibit G** attached hereto (the “Refunded Obligations”);
- (f) The City desires to refund the Refunded Obligations in advance of their maturities which will benefit the City by reducing total debt service;
- (g) The City is authorized by Chapter 1207, Texas Government Code, as amended, to accomplish such refunding by depositing with an escrow agent a portion of the proceeds from the sale of the refunding bonds authorized herein, together with any other legally available funds, which shall be sufficient to provide for the payment of the Refunded Obligations on their date of redemption, and such

deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations;

- (h) The City desires to enter into an escrow agreement (the “Escrow Agreement”) with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent, as authorized in Chapter 1207, pursuant to which a portion of the proceeds of the refunding bonds herein authorized, and other legally available funds of the City, if any, will be deposited and applied in a manner sufficient to provide for the full and timely payment of all principal of, premium, if any, and interest on the Refunded Obligations;
- (i) Upon the issuance of the refunding bonds herein authorized and the creation of the escrow referred to above, the Refunded Obligations shall no longer be regarded as being outstanding, except for the purpose of being paid pursuant to such Escrow Agreement, and the pledges, liens, trusts and all other covenants, provisions, terms and conditions of the ordinances authorizing the issuance of the Refunded Obligations shall be, with respect to the Refunded Obligations, discharged, terminated and defeased; and
- (j) The City Council is of the opinion and hereby affirmatively finds that it is in the best interest of the City to issue bonds in the amounts and for the purposes herein stated.

ARTICLE II.

DEFINITIONS AND INTERPRETATIONS

Section 2.1.: Definitions. As used herein, the following terms shall have the meanings specified, unless the context clearly indicates otherwise:

“Act” shall mean together, Chapters 1207 and 1331, Texas Government Code, as amended.

“Attorney General” shall mean the Attorney General of the State of Texas.

“Bond” or “Bonds” shall mean any or all of the City of Lancaster, Texas, General Obligation Refunding and Improvement Bonds, Series 2015, authorized by this Ordinance.

“City” shall mean the City of Lancaster, Texas, and, where appropriate, its City Council.

“City Council” shall mean the governing body of the City.

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

“Comptroller” shall mean the Comptroller of Public Accounts of the State of Texas.

“Construction Fund” shall mean the General Obligation Refunding and Improvement Bonds, Series 2015 Construction Fund established by the City and described in section 5.3 of this Ordinance.

“DTC” shall mean The Depository Trust Company, 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.

“Debt Service Fund” shall mean the General Obligation Refunding and Improvement Bonds, Series 2015 Debt Service Fund established by the City and described in section 5.2 of this Ordinance.

“Escrow Agent” shall mean The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, and its successors in that capacity.

“Escrow Agreement” shall mean the agreement between the City and the Escrow Agent relating to the deposit of funds to pay the Refunded Obligations.

“Election” shall mean the election held November 6, 2007, which authorized the issuance of \$37,545,695 in bonds for planning, designing, constructing, reconstructing, improving, extending and expanding streets, thoroughfares, freeways, alleys, sidewalks, bridges, pedestrianways, trolleyways and other multi-modal transportation facilities, including related storm drainage facilities and improvements, signalization, signage, video roadside cameras, and other traffic and signal controls, street lighting, landscaping, streetscape and median improvements, the acquisition of land therefore, and all matters necessary and incidental thereto.

“Fiscal Year” shall mean the City’s then designated fiscal year, which currently is the twelve-month period beginning on the first day of October of a calendar year and ending on the last day of September of the next succeeding calendar year and each such period may be designated with the number of the calendar year in which such period ends.

“Interest Payment Date,” when used in connection with any Bond, shall mean February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption of such Bond.

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

“Outstanding,” when used with reference to the Bonds, shall mean, as of a particular date, all Bonds theretofore and thereupon delivered pursuant to this Ordinance except: (a) any Bonds canceled by or on behalf of the City at or before such date; (b) any Bonds defeased pursuant to the defeasance provisions of this Ordinance or otherwise defeased as permitted by applicable

law; and (c) any Bonds in lieu of or in substitution for which a replacement Bond shall have been delivered pursuant to this Ordinance.

“Paying Agent/Registrar” shall mean The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, and its successors in that capacity.

“Record Date” shall mean the close of business on the last business day of the calendar month immediately preceding the applicable Interest Payment Date.

“Refunded Obligations” shall mean those obligations described in **Exhibit G** attached hereto, which are being refunded and defeased with the proceeds of the Bonds and other legally available funds of the City, if any.

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

“Registered Owner” shall mean the person or entity in whose name any Bond is registered in the Register.

“Report” shall mean the verification report prepared by Grant Thornton LLP, Certified Public Accountants, verifying the accuracy of certain mathematical computations relating to the Bonds and the refunding of the Refunded Obligations.

“Underwriters” shall mean the underwriting syndicate composed of Siebert Brandford Shank & Col, L.L.C., RBC Capital Markets, and Coastal Securities, Inc.

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 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 Bonds and the validity of the levy of ad valorem taxes to pay the principal of and interest on the Bonds.

ARTICLE III.

TERMS OF THE BONDS

Section 3.1.: Amount, Purpose and Authorization. (a) The Bonds shall be issued in fully registered form, without coupons, under and pursuant to the authority of the City’s Home Rule Charter and the Act in the total authorized aggregate principal amount of _____ AND NO/100 DOLLARS (\$_____) for the purpose of providing all or part of the funds for the following purposes: (i) planning, designing, constructing, reconstructing, improving, extending and expanding streets, thoroughfares, freeways, alleys, sidewalks, bridges, pedestrianways, trolleyways and other multi-modal

transportation facilities, including related storm drainage facilities and improvements, signalization, signage, video roadside cameras, and other traffic and signal controls, street lighting, landscaping, streetscape and median improvements, the acquisition of land therefore, and all matters necessary and incidental thereto; and (ii) to refund the Refunded Obligations. Proceeds of the Bonds also will be used to pay costs of issuance of the Bonds and other professional services related thereto.

(b) It is hereby found and determined that the refunding of the Refunded Obligations and the issuance of the Bonds will benefit the City by reducing total debt service, and that such benefit is sufficient consideration for the issuance of the Bonds.

(c) It is hereby found and determined that the refunding of the Refunded Obligations will result in a gross savings of \$_____ and a present value savings of \$_____ to the City.

Section 3.2.: Designation, Date and Interest Payment Dates. The Bonds shall be designated as the “City of Lancaster, Texas, General Obligation Refunding and Improvement Bonds, Series 2015,” and shall be dated July 15, 2015. The Bonds shall bear interest at the rates set forth in Section 3.3 below, from the later of August 27, 2015, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, payable on February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption.

If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty (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 affected Registered Owner as of the close of business on the day prior to mailing of such notice.

Section 3.3.: Numbers, Denomination, Interest Rates and Maturities. (a) The Bonds shall be initially issued bearing the numbers, in the principal amounts and bearing interest at the rates set forth in the following schedule, and may be transferred and exchanged as set out in this Ordinance. The Bonds shall mature on February 15 in each of the years and in the amounts set out in such schedule. Bonds delivered in transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in the denomination of \$5,000 or integral multiples thereof and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

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<u>Certificate Number</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-1	2016	\$100,000	%
R-2	2017	100,000	
R-3	2018	-	
R-4	2019	1,005,000	
R-5	2020	1,075,000	
R-6	2021	1,140,000	
R-7	2022	1,200,000	
R-8	2023	1,240,000	
R-9	2024	1,500,000	
R-10	2025	1,650,000	
R-11	2026	1,710,000	
R-12	2027	1,780,000	
R-13	2028	1,505,000	
R-14	2029	1,570,000	
R-15	2030	1,630,000	
R-16	2031	1,700,000	
R-17	2032	1,765,000	
R-18	2033	920,000	
R-19	2034	960,000	
R-20	2035	1,000,000	

Section 3.4.: Redemption Prior to Maturity. (a) The Bonds maturing on and after February 15, 2026, are subject to redemption prior to maturity, at the option of the City, in whole or in part, on February 15, 2025 or any date thereafter, at par plus accrued interest to the date fixed for redemption.

(b) The Bonds maturing on February 15, 20__, February 15, 20__ , and February 15, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Bonds or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

	<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
Term Bonds Maturing February 15, 20__	February 15, 20__ February 15, 20__	\$
Term Bonds Maturing February 15, 20__	February 15, 20__ February 15, 20__	
Term Bonds Maturing February 15, 20__	February 15, 20__ February 15, 20__ February 15, 20__	

February 15, 20__
February 15, 20__

The particular Term Bonds to be redeemed shall be selected by the Registrar by lot or other customary random selection method, on or before January 1 of each year in which Term Bonds are to be mandatorily redeemed. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bonds that have been optionally redeemed on or before January 1 of such year and which have not been made the basis for a previous reduction.

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

(d) Notice of any redemption, identifying the Bonds or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the Register, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being Outstanding except for the purpose of being paid with the funds so provided for such payment.

Section 3.5: Manner of Payment, Characteristics, Execution and Authentication. The Paying Agent/Registrar is hereby appointed the paying agent for the Bonds. The Bonds shall be payable, shall have the characteristics and shall be executed, sealed, registered and authenticated, all as provided and in the manner indicated in the FORM OF BONDS set forth in Article IV of this Ordinance. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of the Bonds or before the delivery of the 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 opinions of West & Associates L.L.P., Dallas, Texas, Bond Counsel, and Andrews Kurth LLP, Houston, Texas, Special Tax Counsel may be printed on the back of the Bonds over the certification of the City Secretary, which may be executed in facsimile. CUSIP numbers also may be printed on the Bonds, but errors or omissions in the printing of either the opinion or the numbers shall have no effect on the validity of the Bonds.

Section 3.6.: Authentication. Except for the Bonds to be initially issued, which need not be authenticated by the Paying Agent/Registrar, only such Bonds as shall bear thereon a certificate of authentication, substantially in the form provided in Article IV 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 Bond so authenticated was delivered by the Paying Agent/Registrar hereunder.

Section 3.7.: Ownership. The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes, whether or not such 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 Registered Owner of any Bond in accordance with this Section shall be valid and effective and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.8.: Registration, Transfer and Exchange. The Paying Agent/Registrar is hereby appointed the registrar for the Bonds. So long as any Bond remains Outstanding, the Paying Agent/Registrar shall keep the Register at its office in Dallas, Texas in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Bonds in accordance with the terms of this Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof at the office of the Paying Agent/Registrar, 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 Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within seventy-two (72) hours after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented and surrendered.

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

All Bonds issued in transfer or exchange shall be delivered to the Registered Owners thereof at the office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid.

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

The Paying Agent/Registrar shall not be required to transfer or exchange any 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 Bond called for redemption in part.

Section 3.9.: Book-Entry Only System. The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 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 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 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 Bonds, (b) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption or (c) the payment to any DTC Participant or any other person, other than a Bondholder as shown in the Register, of any amount with respect to principal of Bonds, premium, if any, or interest on the Bonds.

Except as provided in Section 3.10 of this Ordinance, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of Bonds, premium, if any, and interest on the 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 Bonds to the extent of the sum or sums so paid. No person other than an owner shall receive a Bond evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance.

Section 3.10.: Payments and Notices to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, as long as any 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 Bonds, and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

Section 3.11.: 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 Bonds that they be able to obtain certificated 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 Bonds to such successor securities depository or (b) notify DTC of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the 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 Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12.: Replacement Bonds. Upon the presentation and surrender to the Paying Agent/Registrar of a damaged or mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond, of the same maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Registered Owner of such 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 and the City.

If any Bond is lost, apparently destroyed or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and ordinances of the City, and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute, and the Paying Agent/Registrar shall authenticate and deliver, a replacement Bond of the same maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Registered 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 Bond;
- (b) furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save and hold 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 Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement 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 Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

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

Section 3.13.: Cancellation. All Bonds paid or redeemed in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement 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 periodically furnish the City with certificates of destruction of such Bonds.

ARTICLE IV.

FORM OF BONDS

The Bonds, including the Form of Comptroller's Registration Certificate, Form of Paying Agent/Registrar's Authentication Certificate, Form of Assignment and Form of Statement of Insurance, if any, shall be in substantially the form attached hereto as Exhibit A, with such omissions, insertions and variations as may be necessary or desirable, and not prohibited by this Ordinance:

ARTICLE V.

SECURITY FOR THE BONDS

Section 5.1.: Pledge and Levy of Taxes. (a) To provide for the payment of principal of and interest on the Bonds, there is hereby levied, within the limits prescribed by law, for the

current year and each succeeding year thereafter, while the Bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad valorem tax upon all taxable property within the City sufficient to pay the interest on the Bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the Bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the Bonds by deposit to the Debt Service Fund and to no other purpose.

(b) The City hereby declares its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the Bonds, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax. As long as any Bonds remain outstanding, all moneys on deposit in or credited to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for cities in the State of Texas.

Section 5.2.: Debt Service Fund. The General Obligation Refunding and Improvement Bonds, Series 2015 Debt Service Fund (the “Debt Service Fund”) is hereby created as a special fund solely for the benefit of the Bonds. The City shall establish and maintain such fund at an official City depository and shall keep such fund separate and apart from all other funds and accounts of the City. Any amount on deposit in the Debt Service Fund shall be maintained by the City in trust for the Registered Owners of the Bonds. Such amount, plus any other amounts deposited by the City into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the Bonds.

Section 5.3.: Construction Fund. The General Obligation Refunding and Improvement Bonds, Series 2015 Construction Fund (the “Construction Fund”) is hereby created as a special fund of the City. Money in deposit in the Construction Fund shall be used only for the purposes set forth in Section 3.1 of this Ordinance. Money on deposit in the Construction Fund may, at the option of the City, be invested as permitted by Texas law, provided that all such deposits and investments shall be made in such manner that the money required to be expended from the Construction Fund will be available at the proper time or times.

All interest and income derived from such deposits and investments shall remain in the Construction Fund, except that, to the extent required by law, such interest and income may be applied to make such payments to the United States of America as shall be required to assure that interest on the Bonds is exempt from federal income taxation. Upon the completion of the purposes set forth in Section 3.1 of this Ordinance, any surplus funds on deposit in the Construction Fund shall be transferred into the Debt Service Fund.

Section 5.4.: Further Proceedings. After the Bonds to be initially issued have been executed, it shall be the duty of the Mayor to deliver the Bonds to be initially issued and all pertinent records and proceedings to the Attorney General for examination and approval. After the Bonds to be initially issued shall have been approved by the Attorney General, they shall be delivered to the Comptroller for registration. Upon registration of the Bonds to be initially

issued, the Comptroller (or a deputy lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be affixed or attached to the Bonds to be initially issued, and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

ARTICLE VI.

CONCERNING THE PAYING AGENT/REGISTRAR

Section 6.1.: Acceptance. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is hereby appointed as the initial Paying Agent/Registrar for the Bonds pursuant to the terms and provisions of the Paying Agent/Registrar Agreement by and between the City and the Paying Agent/Registrar. The Paying Agent/Registrar Agreement shall be substantially in the form attached hereto as Exhibit B, the terms and provisions of which are hereby approved, and the Mayor is 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 thereto and affix the City's seal. 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 any fees pursuant to the terms of any contract between the Paying Agent/Registrar and the City and/or the deposits of money pursuant to this Ordinance, shall be deemed to accept and agree to abide by the terms of this Ordinance.

Section 6.2.: Trust Funds. All money transferred to the Paying Agent/Registrar in its capacity as Paying Agent/Registrar for the Bonds under this Ordinance (except any sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City and shall be disbursed in accordance with this Ordinance.

Section 6.3.: Bonds Presented. Subject to the provisions of Section 6.4, all matured Bonds presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Bonds shall be canceled as provided herein.

Section 6.4.: Unclaimed Funds Held by the Paying Agent/Registrar. Funds held by the Paying Agent/Registrar that represent principal of and interest on the Bonds remaining unclaimed by the Registered Owner thereof 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 Registered Owners of the Bonds by virtue of actions taken in compliance with this Section.

Section 6.5.: Paying Agent/Registrar May Own Bonds. The Paying Agent/Registrar in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

Section 6.6.: Successor Paying Agents/Registrars. The City covenants that at all times while any 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 Bonds. The City reserves the right to change the Paying Agent/Registrar for the 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 60 days prior to the next succeeding principal or interest payment date on the 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 United States mail, first class, 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 VII.

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF BONDS

Section 7.1.: Sale of Bonds; Insurance. The sale of the Bonds to the Underwriters at a price of \$_____ (representing the par value thereof plus a net original issue premium on the Bonds of \$_____, less an underwriting discount of \$_____) plus accrued interest to the date of delivery of the Bonds, in accordance with the terms of the Bond Purchase Agreement presented to and hereby approved by the City Council, in substantially the form attached hereto as **Exhibit C** which price and terms are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Mayor, the Mayor Pro-Tem, the City Secretary 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 7.2.: Approval, Registration and Delivery. The Mayor is hereby authorized to have control and custody of the Bonds and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor and other officers and employees of the City are hereby authorized and directed to make such certifications and to execute such instruments as may be necessary to accomplish the delivery of the Bonds and to assure the investigation, examination and approval thereof by the Attorney General and the registration of the initial Bonds by the Comptroller. Upon registration of the Bonds, the Comptroller (or the Comptroller's certificates clerk or an assistant certificates clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificates prescribed herein to be attached or affixed to each Bond initially delivered and the seal of the Comptroller shall be impressed or printed or lithographed thereon. The initial Bonds shall be registered in the name of Siebert Brandford Shank & Co., L.L.C.

Section 7.3.: Offering Documents; Ratings. The City hereby approves the form and contents of the Preliminary Official Statement, attached hereto as **Exhibit D**, and the final Official Statement, in substantially the form of the Preliminary Official Statement, with such

modifications as shall be necessary to describe the final terms of the Bonds, dated as of the date hereof, relating to the Bonds, and any addenda, supplement or amendment thereto, and ratifies and approves the distribution of such Preliminary Official Statement and Official Statement in the offer and sale of the Bonds and in the reoffering of the Bonds by the Underwriters, with such changes therein or additions thereto as the officials executing same may deem advisable, such determination to be conclusively evidenced by their execution thereof. The Mayor is hereby authorized and directed to execute, and the City Secretary is hereby authorized and directed to attest, the final Official Statement. It is further hereby officially found, determined and declared that the statements and representations contained in the Preliminary Official Statement and final Official Statement are true and correct in all material respects, to the best knowledge and belief of the City Council, and that, as of the date thereof, the Preliminary Official Statement was an official statement of the City with respect to the Bonds that was deemed “final” by an authorized official of the City except for the omission of no more than the information permitted by subsection (b)(1) of Rule 15c2-12 of the U.S. Securities and Exchange Commission.

Further, the City Council hereby ratifies, authorizes and approves the actions of the Mayor, the City’s financial advisor and other consultants in seeking ratings on the Bonds from Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Financial Services LLC business and such actions are hereby ratified and confirmed.

Section 7.4.: Application of Proceeds of Bonds. (a) Proceeds from the sale of the Bonds shall, promptly upon receipt by the City, be applied as follows:

- (1) Accrued interest shall be deposited into the Debt Service Fund created in Section 5.2 of this Ordinance;
 - (2) A portion of the proceeds shall be applied to pay expenses arising in connection with the issuance of the Bonds and the refunding of the Refunded Obligations;
 - (3) The remaining proceeds shall be (i) used to establish an escrow fund to refund the Refunded Obligations, as more fully provided below and (ii) deposited into the Construction Fund created in Section 5.3 of this Ordinance.
- (b) From the existing debt service fund for the Refunded Obligations there shall be transferred to the escrow fund established pursuant to the Escrow Agreement the amount of \$_____.

Section 7.5.: Tax Exemption. The City intends that the interest on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, (the “Code”) and all applicable temporary, proposed and final regulations (the “Regulations”) and procedures promulgated thereunder and applicable to the Bonds. For this purpose, the City covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Bonds (including all property, the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bonds) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code

and the Regulations to cause the interest on the Bonds to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the City shall comply with each of the following covenants:

(a) 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 any 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 Bond, the City shall comply with each of the specific covenants in this Section.

(b) Except as permitted by Section 141 of the Code and the regulations and rulings thereunder, the City shall, at all times prior to the last stated maturity of the 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 of the Bonds 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 of the Bonds or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds.

(c) 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 the Bonds 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.

(d) 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 the Refunded Obligations, directly or indirectly invest Gross Proceeds of such Bonds 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 Refunded Obligations.

(e) Based on all of the facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the City reasonably expects that the proceeds of the Bonds (to the extent any of such proceeds remain unexpended) will not be used in a manner that would cause the Bonds or any portion thereof to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(f) At all times while the Bonds are outstanding, the City will identify and properly account for all amounts constituting gross proceeds of the Bonds in accordance with the Regulations. The City will monitor the yield on the investments of the proceeds of the Bonds and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Bonds. To the extent necessary to prevent the Bonds from constituting “arbitrage bonds,” the City will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Bonds to be less than the yield that is materially higher than the yield on the Bonds.

(g) The City will not take any action or knowingly omit to take any action, if taken or omitted, would cause the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(h) The City represents that not more than fifty percent (50%) of the proceeds of any new money portion of the Bonds was invested in nonpurpose investments (as defined in Section 148(f)(b)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the City reasonably expected at the time each issue of the Refunded Obligations issued that at least eighty-five percent (85%) of the spendable proceeds of the Bonds or the Refunded Obligations would be used to carry out the governmental purpose of such Bonds within the corresponding three-year period beginning on the respective dates of the Bonds or the Refunded Obligations.

(i) The City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government. Specifically, the City will (i) maintain records regarding the receipt, investment and expenditure of the gross proceeds of the Bonds as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the City allocable to other obligations of the City or moneys which do not represent gross proceeds of any obligations of the City and retain such records for at least six years after the day on which the last outstanding Bond is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid, in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of the gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Bonds and (iv) timely pay, as required by applicable Regulations, all

amounts required to be rebated to the federal government. In addition, the City will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, including interest thereon and penalty.

(j) The City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in smaller profit or a larger loss than would have resulted if such arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(k) The City will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Bonds on such form and in such place as the Secretary may prescribe.

(l) The City will not issue or use the Bonds as part of an "abusive arbitrage device" (as defined in Section 1.148 10(a) of the Regulations). Without limiting the foregoing, the Bonds are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the City to exploit the difference between tax exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(m) Proper officers of the City charged with the responsibility for issuing the Bonds are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the Issue Date and stating whether there are facts, estimates or circumstances that would materially change the City's expectations. On or after the Issue Date, the City will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(n) The covenants and representations made or required by this Section are for the benefit of the Certificate holders and any subsequent Bond holder, and may be relied upon by the Bond holder and any subsequent Bond holder and bond counsel to the City.

In complying with the foregoing covenants, the City may rely upon an unqualified opinion issued to the City by nationally recognized bond counsel that any action by the City or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Ordinance, the City's representations and obligations under the covenants and provisions of this Section 7.4 shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion of interest on the Bonds from the gross income of the owners for federal income tax purposes.

Section 7.6.: Escrow Agreement. The discharge and defeasance of the Refunded Obligations shall be effectuated pursuant to the terms and provisions of the Escrow Agreement to be entered into by and between the City and the Escrow Agent, which shall be substantially in the form attached hereto as **Exhibit E**, the terms and provisions of which are hereby approved, subject to such insertions, additions and modifications as shall be necessary (a) to carry out the program designed for the City by the Underwriters and the City's Financial Advisor, (b) to minimize the City's costs of refunding, (c) to comply with all applicable laws and regulations relating to the refunding of the Refunded Obligations and (d) to carry out the other intents and purposes of this Ordinance, and the Mayor is hereby authorized to execute and deliver such Escrow Agreement on behalf of the City in multiple counterparts and the City Secretary is hereby authorized to attest thereto and affix the City's seal.

Section 7.7.: Redemption Prior to Maturity of Refunded Obligations. To minimize the City's costs of refunding, the City hereby authorizes and directs that certain of the Refunded Obligations shall be called for redemption prior to maturity in the amounts, at the dates and at the redemption prices set forth in **Exhibit G** attached hereto, and the Mayor is hereby authorized and directed to take all necessary and appropriate action to give or cause to be given a notice of redemption and/or a notice of defeasance to the holders or paying agent/ registrars, as appropriate, of such bonds, and, if required, to publish such notices, all in the manner required by the documents authorizing the issuance of such Refunded Obligations.

Section 7.8.: Purchase of United States Treasury Obligations. To assure the purchase of the Escrowed Securities referred to in the Escrow Agreement, the Mayor and other officers and employees of the City are hereby authorized to subscribe for, agree to purchase and purchase obligations of the United States of America, in such amounts and maturities and bearing interest at such rates as may be provided for in the Report to be attached to the Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing. Any actions heretofore taken for such purpose are hereby ratified and approved.

Section 7.9.: Related Matters. In order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, the Mayor, City Secretary 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 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.

ARTICLE VIII.

CONTINUING DISCLOSURE UNDERTAKING

Section 8.1.: Annual Reports. The City shall provide annually to the MSRB, within six (6) months after the end of each fiscal year and in an electronic format prescribed by the MSRB,

financial information and operating data with respect to the City of the general type included in **Exhibit F** (attached hereto). Any financial statements so to be provided shall be (a) prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, as such principles may be changed from time to time to comply with state or federal law or regulation and (b) 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 available at the time the financial information and operating data must be provided, then the City shall provide unaudited financial statements for the applicable fiscal year to the MSRB and shall provide to the MSRB audited financial statements, when and if the same 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 maybe 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 8.2: Event Notices. The City shall notify the MSRB, in a timely manner (not in excess of ten (10) business days after the occurrence of the event), of any of the following events with respect to the Bonds or the City:

- (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 Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the 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 8.1 of this Ordinance by the time required by such Section.

Section 8.3: Identifying Information. All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

Section 8.4: 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 Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 8.2 of any 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 holders and beneficial owners of the 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 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY 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 the 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 the 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 the Bonds in the primary offering of the 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 holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holder and beneficial owners of the 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 8.1 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 have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 8.5: 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 IX.

MISCELLANEOUS

Section 9.1.: Defeasance. The Bonds may be discharged, defeased, redeemed or refunded in any manner now or hereafter permitted by law.

Section 9.2.: Application of Chapter 1208, Government Code. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the taxes granted by the City under Section 5.1 of this Ordinance, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the taxes granted by the City under Section 5.1 of this Ordinance is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Registered Owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 9.3.: Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Registered Owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the consent of Registered Owners who own in the aggregate 51% of the principal amount of the Bond then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Registered Owners of Outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by Registered Owners for consent to any such amendment, addition, or rescission.

Section 9.4.: Legal Holidays. In any case where the date interest accrues and becomes payable on the Bonds or principal of the Bonds matures or the date fixed for redemption of any Bonds or a Record Date shall be in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date, or the Record Date shall not occur on such date, but payment may be made or the Record Date shall occur on the next succeeding day which is not in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close with the same force and effect as if (i) 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 or (ii) the Record Date had occurred on the fifteenth day of that calendar month.

Section 9.5: No Recourse Against City Officials. No recourse shall be had for the payment of principal of or interest on any Bonds or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bonds.

Section 9.6.: Power to Revise Form of Documents. Notwithstanding any other provision of this Ordinance, the Mayor is hereby authorized to make or approve such revisions, additions, deletions, and variations to this Ordinance and in the form of the documents attached hereto as exhibits as, in the judgment of the Mayor, and in the opinion of Bond Counsel to the City, may be necessary or convenient to carry out or assist in carrying out the purposes of this Ordinance, or as may be required for approval of the Bonds by the Attorney General of Texas; provided, however, that any changes to such documents resulting in substantive amendments to the terms and conditions of the Bonds or such documents shall be subject to the prior approval of the City Council.

Section 9.7.: Further Proceedings. The Mayor, the Mayor Pro-Tem, the City Secretary and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 9.8.: 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 9.9.: 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 City Hall for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, 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 9.10.: Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 9.11.: Effective Date. This Ordinance shall be in force and effect from and after its passage on the date shown below.

[Remainder of this page intentionally left blank]

PASSED AND ADOPTED this August 3, 2015.

CITY OF LANCASTER, TEXAS

Mayor

City Secretary

(SEAL)

Exhibits:

Exhibit A – Form of Bond

Exhibit B – Paying Agent/Registrar Agreement

Exhibit C – Bond Purchase Agreement

Exhibit D – Preliminary Official Statement

Exhibit E – Escrow Agreement

Exhibit F – Description of Annual Financial Information

Exhibit G – Description of Refunded Obligations

EXHIBIT A

FORM OF BOND

**UNITED STATES OF AMERICA
STATE OF TEXAS**

**CITY OF LANCASTER, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BOND, SERIES 2015**

NUMBER
¹R- REGISTERED DENOMINATION
\$ _____ REGISTERED

²INTEREST RATE: DATED DATE: ²MATURITY DATE: ²CUSIP:
March 15, 2007 February 15, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

³THE CITY OF LANCASTER, TEXAS, a home rule municipality of the State of Texas (the “City”), for value received, hereby promises to pay to the Registered Owner identified above or its registered assigns, on the maturity date specified above (or on earlier redemption as herein provided), upon presentation and surrender of this Bond at the principal payment office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or its successor (the “Paying Agent/Registrar”), the principal amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption) payable 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 to the United States of America, and to pay interest thereon at the rate shown above, calculated on a basis of a 360-day year composed of twelve 30-day months,

¹ Initial Bond shall be numbered I-1.

² Omitted from initial Bond.

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

THE CITY OF LANCASTER, TEXAS, a home rule municipality of the State of Texas (the “City”), for value received, hereby promises to pay to the Registered Owner identified above or its registered assigns, on February 15 of each of the years and in the principal amounts set forth in the following schedule: *[Insert information regarding years of maturity, principal amounts and interest rates from Section 3.3 of the Ordinance.]* upon presentation and surrender of this Bond at the principal payment office of The Bank of New York MellonTrust Company, N.A., Dallas, Texas, or its successor (the “Paying Agent/Registrar”), payable 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 to the United States of America, and to pay interest thereon at the rate shown above, calculated on a 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.

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. Interest on this Bond is payable on February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption of this Bond, by check sent by United States mail, first class, postage prepaid, by the Paying Agent/Registrar to the Registered Owner of record as of the close of business on the last business day of the calendar month immediately preceding the applicable interest payment date, as shown on the registration books kept by the Paying Agent/Registrar. Any accrued interest payable at maturity or earlier redemption shall be paid upon presentation and surrender of this Bond at the office of the Paying Agent/Registrar.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS (the "Bonds") in the aggregate principal amount of \$_____ issued pursuant to an ordinance adopted by the City Council of the City on August 3, 2015 (the "Ordinance") for the purpose of providing funds for public improvements in the City and refunding certain outstanding obligations of the City, under and pursuant to the authority of Chapters 1207 and 1331, Texas Government Code, as amended, the City's Home Rule Charter, and an election held on November 6, 2007. Proceeds of the Bonds will also be used to pay costs of issuance of the Bonds and other professional services related thereto.

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.

THE CITY RESERVES THE RIGHT, at its option, to redeem, prior to their maturity, Bonds maturing on and after February 15, 2026, in whole or in part, on February 15, 2025, or any date thereafter, at par plus accrued interest to the date fixed for redemption.

THE BONDS maturing on February 15, 20__, February 15, 20__ , and February 15, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Current Interest Bonds or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

	<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
Term Bonds Maturing February 15, 20__	February 15, 20__ February 15, 20__	\$
Term Bonds Maturing February 15, 20__	February 15, 20__ February 15, 20__	
Term Bonds Maturing February 15, 20__	February 15, 20__ February 15, 20__	

⁴ In the initial Bond, this paragraph shall read:

“THIS 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 due execution of the registration certificate endorsed hereon.”

February 15, 20__
February 15, 20__
February 15, 20__

THE PARTICULAR TERM BONDS to be redeemed shall be selected by the Registrar by lot or other customary random selection method, on or before January 1 of each year in which Term Bonds are to be mandatorily redeemed. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bonds that have been optionally redeemed on or before January 1 of such year and which have not been made the basis for a previous reduction.

BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, each Bond shall be treated as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

NOTICE OF ANY SUCH REDEMPTION, identifying the Bonds or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment.

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

THIS BOND IS EXCHANGEABLE at the office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and 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 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 such limitation shall not apply to the transfer or exchange by the Registered Owner of an unredeemed portion of a Bond called for redemption in part.

THE CITY OR PAYING AGENT/REGISTRAR may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of a Bond. Any fee or charge of the Paying Agent/Registrar for a transfer or exchange shall be paid by the City.

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

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, exist and to be done precedent to or in the issuance and delivery of this Bond have been performed, exist and have been done in accordance with law; that the Bonds do not exceed any constitutional or statutory limitation; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, have been levied and ordered to be levied, within the limits prescribed by law, against all taxable property in the City and have been irrevocably pledged for such payment.

REFERENCE IS HEREBY MADE TO THE ORDINANCE, a copy of which is filed with the Paying Agent/Registrar, for the full provisions thereof, to all of which the Registered Owners of the Bonds assent by acceptance of the Bonds.

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

CITY OF LANCASTER, 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 Bonds initially delivered:

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS § REGISTER NO. _____
THE STATE OF TEXAS §

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

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

(SEAL)

Comptroller of Public Accounts
of the State of Texas

* * *

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

The following form of authentication certificate shall be printed on the face of each of the Bonds other than those initially delivered:

AUTHENTICATION CERTIFICATE

This Bond is one of the Bonds described in and delivered pursuant to the within-mentioned Ordinance; and, except for the Bonds initially delivered, this Bond has been issued in 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.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, NATIONAL ASSOCIATION,
as Paying Agent/Registrar

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

* * *

FORM OF ASSIGNMENT

The following form of assignment shall be printed on the back of each of the Bonds:

ASSIGNMENT

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

(Please print or type name, address, and zip code of Transferee)

(Please insert Social Security or Taxpayer Identification Number of Transferee)

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

DATED: _____

Signature Guaranteed:

Registered Owner

NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this Bond in every particular, without any alteration, enlargement or change whatsoever.

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

* * *

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NUMBER 7

EXHIBIT C
BOND PURCHASE AGREEMENT

SEE TAB NUMBER 3

EXHIBIT D
PRELIMINARY OFFICIAL STATEMENT

SEE TAB NUMBER 4

EXHIBIT E
ESCROW AGREEMENT

SEE TAB NUMBER 6

EXHIBIT F

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 8.1 of this Ordinance.

Annual Financial Statements and Operating Data

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

1. The audited financial statements of the City, but for the most recently concluded fiscal year, and, to the extent that such statements are not completed and available, unaudited financial statements for such fiscal year.
2. The quantitative and financial information and operating data with respect to the City of the general type included under the Tables numbered 1 through 6 and 8 through 15 and in Appendix B.

Accounting Principles

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

EXHIBIT G

DESCRIPTION OF REFUNDED OBLIGATIONS

General Obligation Refunding and Improvement Bonds, Series 2007

Maturity Date	Interest Rate	Par Amount	Call Date	Price
2/15/2019	4.000%	\$520,000	2/15/17	100%
2/15/2020	4.125%	580,000	2/15/17	100%
2/15/2021	4.125%	640,000	2/15/17	100%
2/15/2022	4.250%	680,000	2/15/17	100%
2/15/2023	4.250%	705,000	2/15/17	100%
2/15/2024	5.000%	740,000	2/15/17	100%
2/15/2025	5.000%	780,000	2/15/17	100%
2/15/2026	5.000%	815,000	2/15/17	100%
2/15/2027	5.000%	855,000	2/15/17	100%
2/15/2028	4.600%	900,000	2/15/17	100%
2/15/2029	4.600%	945,000	2/15/17	100%
2/15/2030	4.600%	990,000	2/15/17	100%
2/15/2031	4.600%	1,035,000	2/15/17	100%
2/15/2032	4.600%	1,085,000	2/15/17	100%

Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation , Series 2007

Maturity Date	Interest Rate	Par Amount	Call Date	Price
2/15/2019	4.000%	\$495,000	2/15/17	100%
2/15/2020	4.125%	515,000	2/15/17	100%
2/15/2021	4.125%	530,000	2/15/17	100%
2/15/2022	4.250%	560,000	2/15/17	100%
2/15/2023	4.250%	585,000	2/15/17	100%
2/15/2024	4.250%	610,000	2/15/17	100%
2/15/2025	4.375%	640,000	2/15/17	100%
2/15/2026	4.375%	665,000	2/15/17	100%
2/15/2027	4.375%	700,000	2/15/17	100%
2/15/2028	4.600%	365,000	2/15/17	100%
2/15/2029	4.600%	385,000	2/15/17	100%
2/15/2030	4.600%	400,000	2/15/17	100%
2/15/2031	4.600%	420,000	2/15/17	100%
2/15/2032	4.600%	440,000	2/15/17	100%

**[EXHIBIT H
FINANCIAL GUARANTY INSURANCE]**

LANCASTER CITY COUNCIL

Special Meeting Agenda Communication

August 3, 2015

Item 2

Discuss and consider an ordinance authorizing the issuance of City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015; and containing other matters incident thereto.

This request supports the City Council 2015-2016 Policy Agenda.

**Goal: Financially Sound City Government
Sound Infrastructure**

Background

On June 8, 2015, City Council passed a resolution authorizing the Notice of Intent Publication for the issuance of Certificates of Obligation. The first and second publication occurred on June 19, 2015 and June 26, 2015. Subsequently, staff has met with the rating agencies and our ratings have been confirmed as "Aa3" from Moody's and "AA-" from Standard and Poor's. This item is to approve an ordinance authorizing the City to issue Certificate of Obligation Bonds.

Considerations

- **Operational** – Approving this ordinance authorizes the City to issue Certificates of Obligation Bonds to be utilized for the construction of a Fleet Maintenance Facility and other capital improvement projects to include Lancaster-Hutchins Road and Rogers Road.
- **Legal** – The ordinance has been prepared by West and Associates, LLP, the City's Bond Counsel.
- **Financial** – The issuance of this debt will not increase the debt portion (I&S) of the city's tax rate. All fees are included in the debt issuance; no additional funds need to be budgeted. Bond issuance costs are paid at closing from the proceeds of the bond issue; therefore, no out of pocket costs are incurred.
- **Public Information** – This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Options/Alternatives

1. City Council may approve the ordinance as presented.
2. City Council may deny the ordinance.

Recommendation

Staff recommends approval an ordinance authorizing the issuance of City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015 in an amount not to exceed \$4,000.000.

Attachments

Ordinance

Submitted by:

Cynthia Pearson, Director of Finance

ORDINANCE AUTHORIZING ISSUANCE OF

**CITY OF LANCASTER, TEXAS,
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2015**

Dated: August 3, 2015

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ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF LANCASTER, TEXAS, TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2015; AND CONTAINING OTHER MATTERS INCIDENT THERETO

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

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1.1: Findings and Determinations. The City Council hereby officially finds and determines that:

(a) The City of Lancaster, Texas (the “City”), acting through its City Council, is authorized pursuant to and in accordance with the provisions of Texas Local Government Code, Chapter 271, Subchapter C, as amended (the “Act”), to issue certificates of obligation to (i) design and construction of a Fleet Maintenance Facility within the City, (ii) design and construction of various street and roadway improvements located within the City, including road, street, sidewalks, curb, drainage and related improvements and (iii) pay professional services rendered in connection with the above listed projects.

(b) The City Council authorized the publication of a notice of intention to issue City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015 (the “Certificates”) to the effect that the City Council was tentatively scheduled to meet at 7:00 p.m. on July 27, 2015 at its regular meeting place to adopt an ordinance authorizing the issuance of the Certificates to be payable from (i) an ad valorem tax levied, within the limits prescribed by law, on the taxable property located within the City, and (ii) and a limited (in an amount not to exceed \$1,000), junior and subordinate pledge of the surplus net revenues (the “Net Revenues”) of the City’s combined Waterworks and Sewer System (the “System”) remaining after payment of operating and maintenance expenses of the System and payments for “Prior Lien Obligations” (as defined herein), to the extent that ad valorem taxes are ever insufficient or unavailable for such purposes, provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of the Net Revenues to the payment of the Certificates.

(c) Such notice was published at the times and in the manner required by the Act.

(d) The City Council considered the issue of the Certificates at 7:00 p.m. on July 27, 2015 at its regular meeting place and determined that the adoption of the ordinance should be postponed until its regular meeting at 7:00 p.m. on August 3, 2015.

(e) No petition signed by at least five percent (5%) of the qualified voters of the City has been filed with or presented to any official of the City protesting the issuance of such Certificates on or before the date of passage of this Ordinance.

(f) The City has determined that it is in the best interests of the City and that it is otherwise desirable to issue the Certificates to provide all or part of the funds to pay contractual obligations to be incurred for the purposes authorized by the Act.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1: Definitions. As used herein, the following terms shall have the meanings specified, unless the context clearly indicates otherwise:

“Act” shall mean Texas Local Government Code, Chapter 271, Subchapter C, as amended.

“Additional Obligations” shall mean additional tax and revenue obligations hereafter issued under and pursuant to the provisions of V.T.C.A., Local Government Code, Subchapter C of Chapter 271, or other law, that are payable from ad valorem taxes and additionally payable from and secured by a parity lien on and pledge of the Net Revenues of the System of equal rank and dignity with the lien and pledge securing the payment of the Certificates.

“Attorney General” shall mean the Attorney General of the State of Texas.

“Certificate” or “Certificates” shall mean any or all of the City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015, authorized by this Ordinance.

“City” shall mean the City of Lancaster, Texas, and, where appropriate, its City Council.

“City Council” shall mean the governing body of the City.

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

“Comptroller” shall mean the Comptroller of Public Accounts of the State of Texas.

“Debt Service Fund” shall mean the fund by that name created pursuant to Section 5.2 hereof.

“Fiscal Year” shall mean the City’s then designated fiscal year, which currently is the twelve-month period beginning on the first day of October of a calendar year and ending on the last day of September of the next succeeding calendar year and each such period may be designated with the number of the calendar year in which such period ends.

“Interest Payment Date,” when used in connection with any Certificate, shall mean February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption of such Certificate.

“Issuance Date” shall mean the date on which the Certificates are delivered to and paid for by the Underwriters.

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

“Outstanding,” when used with reference to the Certificates, shall mean, as of a particular date, all Certificates theretofore and thereupon delivered pursuant to this Ordinance except: (a) any Certificates canceled by or on behalf of the City at or before such date; (b) any Certificates defeased pursuant to the defeasance provisions of this Ordinance or otherwise defeased as permitted by applicable law; and (c) any Certificates in lieu of or in substitution for which a replacement Certificate shall have been delivered pursuant to this Ordinance.

“Paying Agent/Registrar” shall mean The Bank of New York Mellon Trust Company, National Association, and its successors in that capacity.

“Prior Lien Obligations” shall mean all bonds or similar obligations now outstanding and hereafter issued that are payable solely from and secured only by a lien on and pledge of the Net Revenues of the System, which is prior in right and claim to the lien on and pledge of the Net Revenues securing the payment of the Similarly Secured Obligations

“Record Date” shall mean the close of business on the last business day of the month immediately preceding the applicable Interest Payment Date.

“Register” shall mean the registration books for the Certificates kept by the Paying Agent/Registrar in which are maintained the names and addresses of, and the principal amounts registered to, each Registered Owner of Certificates.

“Registered Owner” shall mean the person or entity in whose name any Certificate is registered in the Register.

Similarly Secured Obligations” shall mean the Certificates and Additional Obligations.

“Underwriters” shall mean the syndicate of underwriters led by Siebert Brandford Shank & Co., L.L.C.

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 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 Certificates and the validity of the levy of ad valorem taxes to pay the principal of and interest on the Certificates.

ARTICLE III

TERMS OF THE CERTIFICATES

Section 3.1: Amount, Purpose and Authorization. (a) The Certificates shall be issued in fully registered form, without coupons, under and pursuant to the authority of the Act in the

total authorized aggregate principal amount of _____ AND NO/100 DOLLARS (\$_____) for the purpose of providing all or part of the funds to pay contractual obligations to be incurred for the purposes described in paragraph 1.1(a) hereof, and to pay the costs of issuing the Certificates.

Section 3.2: Designation, Date and Interest Payment Dates. The Certificates shall be designated as the “City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015,” and shall be dated July 15, 2015. The Certificates shall bear interest at the rates set forth in Section 3.3 below, from the later of August 27, 2016 or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, payable on February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption.

If interest on any Certificate is not paid on any Interest Payment Date and continues unpaid for thirty (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 affected Registered Owner as of the close of business on the day prior to mailing of such notice.

Section 3.3: Numbers, Denomination, Interest Rates and Maturities. The Certificates shall be initially issued bearing the numbers, in the principal amounts and bearing interest at the rates set forth in the following schedule, and may be transferred and exchanged as set out in this Ordinance. The Certificates shall mature on February 15 in each of the years and in the amounts set out in such schedule. Certificates delivered in transfer of or in exchange for other Certificates shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in the denomination of \$5,000 or integral multiples thereof and shall mature on the same date and bear interest at the same rate as the Certificate or Certificates in lieu of which they are delivered.

<u>Certificate Number</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-1	2016	\$80,000	%
R-2	2017	80,000	
R-3	2018	80,000	
R-4	2019	80,000	
R-5	2020	80,000	
R-6	2021	80,000	
R-7	2022	80,000	
R-8	2023	80,000	
R-9	2024	80,000	
R-10	2025	175,000	
R-11	2026	180,000	
R-12	2027	185,000	

R-13	2028	195,000
R-14	2029	205,000
R-15	2030	210,000
R-16	2031	220,000
R-17	2032	230,000
R-18	2033	520,000
R-19	2034	560,000
R-20	2035	600,000

Section 3.4: Redemption Prior to Maturity The Certificates maturing on and after February 15, 2026 are subject to redemption prior to maturity, at the option of the City, in whole or in part, on February 15, 2025, or any date thereafter, at par plus accrued interest to the date fixed for redemption.

[The Certificates maturing on February 15, 20__ (the "Term Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Certificates or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:]

	<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
<i>Term Certificates Maturing February 15, 20__</i>	<i>February 15, 20__</i>	<i>\$</i>
	<i>February 15, 20__</i>	

The particular Term Certificates to be redeemed shall be selected by the Registrar by lot or other customary random selection method, on or before January 1 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been optionally redeemed on or before January 1 of such year and which have not been made the basis for a previous reduction.]

(a) Certificates may be redeemed in part only in integral multiples of \$5,000. If a Certificate subject to redemption is in a denomination larger than \$5,000, a portion of such Certificate may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Certificates for redemption, each Certificate shall be treated as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate by \$5,000. Upon presentation and surrender of any Certificate for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of this Ordinance, shall authenticate and deliver in exchange therefor a Certificate or Certificates of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Certificate so surrendered.

(b) Notice of any redemption, identifying the Certificates or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the Register, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Certificates called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being Outstanding except for the purpose of being paid with the funds so provided for such payment.

Section 3.5: Manner of Payment, Characteristics, Execution and Authentication. The Paying Agent/Registrar is hereby appointed the paying agent for the Certificates. The Certificates shall be payable, shall have the characteristics and shall be executed, sealed, registered and authenticated, all as provided and in the manner indicated in the FORM OF CERTIFICATES set forth in Article IV of this Ordinance. If any officer of the City whose manual or facsimile signature shall appear on the Certificates shall cease to be such officer before the authentication of the Certificates or before the delivery of the Certificates, 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 opinions of West & Associates L.L.P., Dallas, Texas, Bond Counsel, and Andrews Kurth LLP, Houston, Texas, Special Tax Counsel may be printed on the back of the Certificates over the certification of the City Secretary, which may be executed in facsimile. CUSIP numbers also may be printed on the Certificates, but errors or omissions in the printing of either the opinions or the numbers shall have no effect on the validity of the Certificates.

Section 3.6: Authentication. Except for the Certificates to be initially issued, which need not be authenticated by the Registrar, only such Certificates as shall bear thereon a certificate of authentication, substantially in the form provided in Article IV 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 Certificate so authenticated was delivered by the Paying Agent/Registrar hereunder.

Section 3.7: Ownership. The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of the principal thereof and interest thereon and for all other purposes, whether or not such Certificate 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 Registered Owner of any Certificate in accordance with this Section shall be valid and effective and shall discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

Section 3.8: Registration, Transfer and Exchange. The Paying Agent/Registrar is hereby appointed the registrar for the Certificates. So long as any Certificate remains Outstanding, the Paying Agent/Registrar shall keep the Register at the City Administrator's

office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Certificates in accordance with the terms of this Ordinance.

Each Certificate shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar, 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 Certificate for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within seventy-two (72) hours after such presentation, a new Certificate or Certificates, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Certificate or Certificates so presented and surrendered.

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

All Certificates issued in transfer or exchange shall be delivered to the Registered Owners thereof at the principal corporate trust office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid.

The City or the Paying Agent/Registrar may require the Registered Owner of any Certificate 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 Certificate. 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 Certificate 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 Certificate called for redemption in part.

Section 3.9: Replacement Certificates. Upon the presentation and surrender to the Paying Agent/Registrar of a damaged or mutilated Certificate, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Certificate, of the same maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Registered Owner of such Certificate 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 and the City.

If any Certificate is lost, apparently destroyed or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and ordinances of the City, and in the absence of notice or knowledge that such Certificate has been acquired by a bona fide purchaser, shall execute, and the Paying Agent/Registrar shall authenticate and deliver, a replacement Certificate of the same maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Registered 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 Certificate;

(b) furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save and hold 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 Certificate, a bona fide purchaser of the original Certificate in lieu of which such replacement Certificate was issued presents for payment such original Certificate, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Certificate 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 Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Certificate, authorize the Paying Agent/Registrar to pay such Certificate.

Each replacement Certificate delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such replacement Certificate is delivered.

Section 3.10: Cancellation. All Certificates paid or redeemed in accordance with this Ordinance, and all Certificates in lieu of which exchange Certificates or replacement Certificates 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 periodically furnish the City with certificates of destruction of such Certificates.

ARTICLE IV

FORM OF CERTIFICATES

Section 4.1: Form of Certificates. The Certificates, including the Form of Comptroller's Registration Certificate, Form of Paying Agent/Registrar Authentication Certificate, Form of Statement of Insurance, if any, and Form of Assignment, shall be in

substantially the form set forth in Exhibit A hereto, with such omissions, insertions and variations as may be necessary or desirable, and not prohibited by this Ordinance.

ARTICLE V

SECURITY FOR THE CERTIFICATES

Section 5.1: Pledge and Levy of Taxes and Revenues. (a) To provide for the payment of principal of and interest on the Certificates, there is hereby levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the Certificates or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad valorem tax upon all taxable property within the City sufficient to pay the interest on the Certificates and to create and provide a sinking fund of not less than 2% of the principal amount of the Certificates or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the Certificates by deposit to the Debt Service Fund and to no other purpose.

(b) The City hereby declares its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the Certificates, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax. As long as any Certificates remain outstanding, all moneys on deposit in, or credited to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for cities in the State of Texas.

(c) In addition, pursuant to the authority of Chapter 1502, Texas Government Code, as amended, the City also hereby pledges the revenues to be derived from the City's water and sewer system, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed \$1,000, to the payment of the principal of and interest on the Certificates, provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues securing the payment of the Prior Lien Obligations now outstanding and hereafter issued by the City. The City also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

(d) Reserved.

Section 5.2: Debt Service Fund. The Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2015, Debt Service Fund (the "Debt Service Fund") is hereby created as a special fund solely for the benefit of the Certificates. The City shall establish and maintain such fund at an official City depository and shall keep such fund separate and apart from all other funds and accounts of the City. Any amount on deposit in the Debt Service Fund shall be maintained by the City in trust for the Registered Owners of the Certificates. Such amount, plus any other amounts deposited by the City into such fund and any and all investment

earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the Certificates.

Section 5.3: Further Proceedings. After the Certificates to be initially issued have been executed, it shall be the duty of the Mayor to deliver the Certificates to be initially issued and all pertinent records and proceedings to the Attorney General for examination and approval. After the Certificates to be initially issued shall have been approved by the Attorney General, they shall be delivered to the Comptroller for registration. Upon registration of the Certificates to be initially issued, the Comptroller (or a deputy lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be affixed or attached to the Certificates to be initially issued, and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

ARTICLE VI

CONCERNING THE PAYING AGENT/REGISTRAR

Section 6.1: Acceptance. The Bank of New York Mellon Trust Company, National Association, is hereby appointed as the initial Paying Agent/Registrar for the Certificates pursuant to the terms and provisions of the Paying Agent/Registrar Agreement by and between the City and the Paying Agent/Registrar. The Paying Agent/Registrar Agreement shall be substantially in the form attached hereto as **Exhibit B**, the terms and provisions of which are hereby approved, and the Mayor is 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 thereto and affix the City's seal. 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 any fees pursuant to the terms of any contract between the Paying Agent/Registrar and the City and/or the deposits of money pursuant to this Ordinance, shall be deemed to accept and agree to abide by the terms of this Ordinance.

Section 6.2: Trust Funds. All money transferred to the Paying Agent/Registrar in its capacity as Paying Agent/Registrar for the Certificates under this Ordinance (except any sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City and shall be disbursed in accordance with this Ordinance.

Section 6.3: Certificates Presented. Subject to the provisions of Section 6.4, all matured Certificates presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Certificates shall be canceled as provided herein.

Section 6.4: Unclaimed Funds Held by the Paying Agent/Registrar. Funds held by the Paying Agent/Registrar that represent principal of and interest on the Certificates remaining unclaimed by the Registered Owner thereof 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 Registered Owners of the Certificates by virtue of actions taken in compliance with this Section.

Section 6.5: Paying Agent/Registrar May Own Certificates. The Paying Agent/Registrar in its individual or any other capacity, may become the owner or pledgee of Certificates with the same rights it would have if it were not the Paying Agent/Registrar.

Section 6.6: Successor Paying Agents/Registrars. The City covenants that at all times while any Certificates are Outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar for the Certificates. The City reserves the right to change the Paying Agent/Registrar for the Certificates 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 60 days prior to the next succeeding principal or interest payment date on the Certificates. 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 United States mail, first class, 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 VII

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF CERTIFICATES

Section 7.1: Sale of Certificates. The sale of the Certificates to the Underwriters at a price of \$_____ (representing the par value thereof minus a net original issue discount on the Bonds of \$_____, less an underwriting discount of \$_____), plus accrued interest on the Certificates, is hereby approved, and delivery of the Certificates to the Underwriters shall be made upon payment therefor in accordance with the terms of the Bond Purchase Agreement presented to and hereby approved by the City Council, in substantially the form attached hereto as **Exhibit C**, which price and terms are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Mayor, Mayor Pro-Tem, the City Secretary 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 Certificates.

Section 7.2: Approval, Registration and Delivery. The Mayor is hereby authorized to have control and custody of the Certificates and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor and other officers and employees of the City are hereby authorized and directed to make such certifications and to execute such instruments as may be necessary to accomplish the delivery of the Certificates and to assure the investigation, examination and approval thereof by the Attorney General and the registration of the initial Certificates by the Comptroller. Upon registration of the Certificates, the Comptroller (or the

Comptroller's certificates clerk or an assistant certificates clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificates prescribed herein to be attached or affixed to each Certificate initially delivered and the seal of the Comptroller shall be impressed or printed or lithographed thereon.

Section 7.3: Offering Documents; Ratings. The City hereby approves the form and contents of the Preliminary Official Statement and the final Official Statement, dated as of the date hereof, relating to the Certificates, and any addenda, supplement or amendment thereto, and ratifies and approves the distribution of such Preliminary Official Statement and Official Statement in the offer and sale of the Certificates and in the reoffering of the Certificates by the Underwriters, with such changes therein or additions thereto as the officials executing same may deem advisable, such determination to be conclusively evidenced by their execution thereof. The Mayor is hereby authorized and directed to execute, and the City Secretary is hereby authorized and directed to attest, the final Official Statement. It is further hereby officially found, determined and declared that the statements and representations contained in the Preliminary Official Statement and final Official Statement are true and correct in all material respects, to the best knowledge and belief of the City Council, and that, as of the date thereof, the Preliminary Official Statement was an official statement of the City with respect to the Certificates that was deemed "final" by an authorized official of the City except for the omission of no more than the information permitted by subsection (b)(1) of Rule 15c2-12 of the U.S. Securities and Exchange Commission. Copies of the Preliminary Official Statement and the Official Statement are attached hereto as Exhibits D and E, respectively.

Further, the City Council hereby ratifies, authorizes and approves the actions of the Mayor, the City's financial advisor and other consultants in seeking a rating on the Certificates from Moody's Investors Service, Inc. and Standard & Poor's Financial Services LLC business and such actions are hereby ratified and confirmed.

Section 7.4: Application of Proceeds of Certificates; Appropriation. Proceeds from the sale of the Certificates shall, promptly upon receipt by the City, be applied as follows:

(1) Accrued interest shall be deposited into the Debt Service Fund created in Section 5.2 of this Ordinance;

(2) A portion of the proceeds shall be applied to pay expenses arising in connection with the issuance of the Certificates;

(3) The remaining proceeds shall be applied, together with other funds of the City, to provide funds to pay contractual obligations to be incurred for the purposes set forth in Section 3.1 of this Ordinance.

Section 7.5: Tax Exemption. The City intends that the interest on the Certificates shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, (the "Code") and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Certificates. For this purpose, the City covenants that it will monitor and control the receipt, investment, expenditure and use of all

gross proceeds of the Certificates (including all property, the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Certificates) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause the interest on the Certificates to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Certificates for federal income tax purposes. Without limiting the generality of the foregoing, the City shall comply with each of the following covenants:

(a) 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 any Certificate 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 Certificate, the City shall comply with each of the specific covenants in this Section.

(b) Except as permitted by Section 141 of the Code and the regulations and rulings thereunder, the City shall, at all times prior to the last stated maturity of the Certificates,

(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 of the Certificates 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 of the Certificates or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds.

(c) 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 the Certificates 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.

(d) 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 the Refunded Obligations, directly or indirectly invest Gross Proceeds of such Certificates 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 Refunded Obligations.

(e) Based on all of the facts and estimates now known or reasonably expected to be in existence on the date the Certificates are delivered, the City reasonably expects that the proceeds of the Certificates (to the extent any of such proceeds remain unexpended) will not be used in a manner that would cause the Certificates or any portion thereof to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(f) At all times while the Certificates are outstanding, the City will identify and properly account for all amounts constituting gross proceeds of the Certificates in accordance with the Regulations. The City will monitor the yield on the investments of the proceeds of the Certificates and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Certificates. To the extent necessary to prevent the Certificates from constituting “arbitrage bonds,” the City will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Certificates to be less than the yield that is materially higher than the yield on the Certificates.

(g) The City will not take any action or knowingly omit to take any action, if taken or omitted, would cause the Certificates to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(h) The City represents that not more than fifty percent (50%) of the proceeds of any new money portion of the Certificates was invested in nonpurpose investments (as defined in Section 148(f)(b)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the City reasonably expected at the time each issue of the Refunded Certificates was issued that at least eighty-five percent (85%) of the spendable proceeds of the Certificates or the Refunded Certificates would be used to carry out the governmental purpose of such Certificates within the corresponding three-year period beginning on the respective dates of the Certificates or the Refunded Certificates.

(i) The City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the gross proceeds of the Certificates, if any, be rebated to the federal government. Specifically, the City will (i) maintain records regarding the receipt, investment and expenditure of the gross proceeds of the Certificates as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the City allocable to other obligations of the City or moneys which do not represent gross proceeds of any obligations of the City and retain such records for at least six years after the day on which the last outstanding Certificate is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid, in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of the gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the

gross proceeds of the Certificates and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the City will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, including interest thereon and penalty.

(j) The City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Certificates that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in smaller profit or a larger loss than would have resulted if such arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(k) The City will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Certificates on such form and in such place as the Secretary may prescribe.

(l) The City will not issue or use the Certificates as part of an "abusive arbitrage device" (as defined in Section 1.148 10(a) of the Regulations). Without limiting the foregoing, the Certificates are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the City to exploit the difference between tax exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(m) Proper officers of the City charged with the responsibility for issuing the Certificates are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the Issue Date and stating whether there are facts, estimates or circumstances that would materially change the City's expectations. On or after the Issue Date, the City will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(n) The covenants and representations made or required by this Section are for the benefit of the Certificate holders and any subsequent Certificate holder, and may be relied upon by the Certificate holder and any subsequent Certificate holder and bond counsel to the City.

In complying with the foregoing covenants, the City may rely upon an unqualified opinion issued to the City by nationally recognized bond counsel that any action by the City or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Certificates to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Ordinance, the City's representations and obligations under the covenants and provisions of this Section 7.4 shall survive the defeasance

and discharge of the Certificates for as long as such matters are relevant to the exclusion of interest on the Certificates from the gross income of the owners for federal income tax purposes.

Section 7.6: Related Matters. In order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, the Mayor, the Mayor Pro-Tem, the City Secretary 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 Certificates, 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.

ARTICLE VIII

CONTINUING DISCLOSURE UNDERTAKING

Section 8.1: Continuing Disclosure Undertaking. (a) Annual Reports. The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB and available via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the final Official Statement under Tables number 1 through 6, and 8 through 20, and in APPENDIX "B". The City will update and provide this information within six months after the end of each fiscal year.

If the City changes its fiscal year, it will submit a notice of such change to the MSRB, and 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 may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the SEC Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B of the Official Statement or such other accounting principles as the City may require to employ from time to time pursuant to State law or regulation.

(b) Material Event Notices. The City shall notify the MSRB in an 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 Certificates:

- (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 Certificates, or other material events affecting the tax status of the Certificates;
- (G) Modifications to rights of holders of the Certificates, if material;
- (H) Certificate calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the Certificates, 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 Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

For the purposes, any event described in the immediate preceding paragraph (L) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding Under States Bankruptcy Code or any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

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

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

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

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

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, or status or type of principal payment of the City, if (1) the agreement, as so amended, would have permitted an underwriter to purchase or sell Certificates in the initial primary offering 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 holders of a majority in aggregate amount of the outstanding Certificates consent to such amendment or (b) a person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement 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, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If any such amendment is made, the City will include in its next annual update an explanation in narrative form of the reasons for the change and its impact on the type of operating data or financial information being provided.

ARTICLE IX

MISCELLANEOUS

Section 9.1: Defeasance. Defeasance. The Certificates may be discharged, defeased, redeemed or refunded in any manner now or hereafter permitted by law.

Section 9.2: Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Registered Owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the consent of Registered Owners who own in the aggregate 51% of the principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Registered Owners of Outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Registered Owners for consent to any such amendment, addition, or rescission.

Section 9.3: Legal Holidays. In any case where the date interest accrues and becomes payable on the Certificates or principal of the Certificates matures or the date fixed for redemption of any Certificates or a Record Date shall be in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date, or the Record Date shall not occur on such date, but payment may be made or the Record Date shall occur on the next succeeding day which is not in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close with the same force and effect as if (i) 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 or (ii) the Record Date had occurred on the last day of that calendar month.

Section 9.4: Power to Revise Form of Documents. Notwithstanding any other provision of this Ordinance, the Mayor is hereby authorized to make or approve such revisions, additions, deletions, and variations to this Ordinance and in the form of the documents attached hereto as exhibits as, in the judgment of the Mayor, and in the opinion of Bond Counsel to the City, may be necessary or convenient to carry out or assist in carrying out the purposes of this Ordinance, the Preliminary Official Statement, the final Official Statement, or as may be required for approval of the Certificates by the Attorney General of Texas; provided, however, that any changes to such documents resulting in substantive amendments to the terms and conditions of the Certificates or such documents shall be subject to the prior approval of the City Council.

Section 9.5: No Recourse Against City Officials. No recourse shall be had for the payment of principal of or interest on any Certificates or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificates.

Section 9.6: Further Proceedings. The Mayor, Mayor Pro-Tem, City Secretary and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 9.7: 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 9.8: 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 City Hall for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, 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 9.9: Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 9.10: Effective Date. This Ordinance shall be in force and effect from and after its passage on the date shown below.

PASSED AND ADOPTED this August 3, 2015.

CITY OF LANCASTER, TEXAS

Mayor

ATTEST:

City Secretary

(SEAL)

interest thereon at the rate shown above, calculated on a 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. Interest on this Certificate is payable on February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption of this Certificate, by check sent by United States mail, first class, postage prepaid, by the Paying Agent/Registrar to the Registered Owner of record as of the close of business on the last day of the calendar month immediately preceding the applicable interest payment date, as shown on the registration books kept by the Paying Agent/Registrar. Any accrued interest payable at maturity or earlier redemption shall be paid upon presentation and surrender of this Certificate at the principal corporate trust office of the Paying Agent/Registrar.

THIS CERTIFICATE IS ONE OF A DULY AUTHORIZED SERIES OF CERTIFICATES (the "Certificates") in the aggregate principal amount of \$_____ issued pursuant to an ordinance adopted by the City Council of the City on August 3, 2015 (the "Ordinance") to pay all or any part of the contractual obligations to be incurred for the construction of public works, and for the purchase of materials, supplies, equipment, machinery, buildings, land and rights-of-way for authorized needs and purposes, to wit (i) design and construction of a Fleet Maintenance Facility within the City, (ii) design and construction of various street and roadway improvements located within the City, including road, street, sidewalks, curb, drainage and related improvements and (iii) pay professional services rendered in connection with the above listed projects.

⁴REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

⁵THIS CERTIFICATE shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Certificate is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

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

CITY OF LANCASTER, TEXAS

Mayor

⁴ This paragraph shall be omitted from the initial Certificate and any other Certificate for which text does not appear on the back of a printed certificate.

⁵ In the initial Certificate, this paragraph shall read:

"THIS CERTIFICATE shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Certificate is registered by the Comptroller of Public Accounts of the State of Texas by due execution of the registration certificate endorsed hereon."

(SEAL)

COUNTERSIGNED:

City Secretary

* * * *

[REVERSE OF CERTIFICATE]

THE CITY RESERVES THE RIGHT, at its option, to redeem, prior to their maturity, Certificates maturing on and after February 15, 2026, in whole or in part, on February 15, 2025, or any date thereafter, at par plus accrued interest to the date fixed for redemption.

[THE CERTIFICATES MATURING on February 15, 20__ (the "Term Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Certificates or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

	<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
<i>Term Certificates Maturing February 15, 20__</i>	<i>February 15, 20__</i>	<i>\$</i>
	<i>February 15, 20__</i>	

The particular Term Certificates to be redeemed shall be selected by the Registrar by lot or other customary random selection method, on or before January 1 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been optionally redeemed on or before January 1 of such year and which have not been made the basis for a previous reduction.]

CERTIFICATES MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Certificate subject to redemption is in a denomination larger than \$5,000, a portion of such Certificate may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Certificates for redemption, each Certificate shall be treated as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate by \$5,000. Upon surrender of any Certificate for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor a Certificate or Certificates of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Certificate so surrendered.

NOTICE OF ANY SUCH REDEMPTION, identifying the Certificates or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Certificates called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment.

THIS CERTIFICATE IS TRANSFERABLE only upon presentation and surrender at the principal corporate trust office of the Paying Agent/Registrar, accompanied by an assignment duly executed by the Registered Owner or its authorized representative, subject to the terms and conditions of the Ordinance.

THIS CERTIFICATE IS EXCHANGEABLE at the principal corporate trust office of the Paying Agent/Registrar for a Certificate or Certificates of the same maturity and interest rate and 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 Certificate 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 such limitation shall not apply to the transfer or exchange by the Registered Owner of an unredeemed portion of a Certificate called for redemption in part.

THE CITY OR PAYING AGENT/REGISTRAR may require the Registered Owner of any Certificate 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 a Certificate. Any fee or charge of the Paying Agent/Registrar for a transfer or exchange shall be paid by the City.

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

IT IS HEREBY DECLARED AND REPRESENTED that this Certificate has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be performed, exist and to be done precedent to or in the issuance and delivery of this Certificate have been performed, exist and have been done in accordance with law; that the Certificates do not exceed any constitutional or statutory limitation; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied, within the limits prescribed by law, against all taxable property in the City and have been irrevocably pledged for such payment.

IT IS FURTHER DECLARED AND REPRESENTED that the revenues to be derived from the City's water and sewer system, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed \$1,000, are pledged to the payment of the principal of and interest on the Certificates, provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of the Net Revenues to the payment of the Certificates. The City also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

REFERENCE IS HEREBY MADE TO THE ORDINANCE, a copy of which is filed with the Paying Agent/Registrar, for the full provisions thereof, to all of which the Registered Owners of the Certificates assent by acceptance of the Certificates.

* * *

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

The following form of Comptroller's Registration Certificate shall be attached or affixed to each of the Certificates initially delivered:

THE STATE OF TEXAS

REGISTER NO. _____

OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS

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

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

* * *

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

The following form of authentication certificate shall be printed on the face of each of the Certificates other than those initially delivered:

AUTHENTICATION CERTIFICATE

This Certificate is one of the Certificates described in and delivered pursuant to the within-mentioned Ordinance; and, except for the Certificates initially delivered, this Certificate has been issued in exchange for or replacement of a Certificate, Certificates, or a portion of a Certificate or Certificates 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.

THE BANK OF NEW YORK MELLON TRUST COMPANY, NATIONAL ASSOCIATION

By: _____
Authorized Signature
Date of Authentication:

* * *

FORM OF ASSIGNMENT

The following form of assignment shall be printed on the back of each of the Certificates:

ASSIGNMENT

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

(Please print or type name, address, and zip code of Transferee)

(Please insert Social Security or Taxpayer Identification Number of Transferee)

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

DATED: _____	_____
Signature Guaranteed:	_____
_____	_____

<hr/> <p>NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.</p>	<p>Registered Owner</p> <p>NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this Certificate in every particular, without any alteration, enlargement or change whatsoever.</p>
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EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB 7

EXHIBIT C
BOND PURCHASE AGREEMENT

SEE TAB 4

EXHIBIT D
PRELIMINARY OFFICIAL STATEMENT

SEE TAB 5

EXHIBIT E
OFFICIAL STATEMENT

SEE TAB 6

LANCASTER CITY COUNCIL
Special Meeting Agenda Communication
August 3, 2015

Item 3

Discuss the proposed FY 2015-2016 tax rate of \$0.8675 per \$100 assessed valuation, receive related tax calculation documents, take record vote to consider a tax rate to increase total tax revenues from properties on the tax roll in the previous year and set public hearing dates on the proposed tax rate.

This request supports the City Council 2015-2016 Policy Agenda.

Goal: Financially Sound City Government

Background

Pursuant to Truth-in-Taxation 2015 requirements, following receipt of tax calculations, the governing body must take a record vote to consider a tax rate that will result in an increase in total tax revenues from properties on the tax roll in the previous year. The governing body must also set and announce the date, time and location of any required public hearings to consider tax rate.

On Thursday, July 23, 2015 the Dallas Central Appraisal District released the Certified Values of properties within the City of Lancaster. This data was utilized to calculate the effective rate and roll back rates for the 2015/2016 fiscal year.

The City of Lancaster experienced an 8.21% increase in property values over the previous fiscal year values.

City of Lancaster Tax Rate Comparison (per \$100 assessed valuation)

	FY 2014/2015	FY 2015/2016
Certified Values:	\$1,641,866,054	\$1,776,715,230
Rollback Tax Rate:	\$0.931006	\$0.933430
Effective Tax Rate:	\$0.813151	\$0.811187
Proposed Tax Rate:	\$0.867500	\$0.867500

The City Manager's proposed budget will raise more total revenue from property taxes than last year's budget.

Recommendation

Staff recommends that City Council take a record vote on the proposal to consider a tax rate that will result in an increase in total revenues from properties on the tax roll in the previous year. Council should also announce the date, time and location of the public hearing regarding the proposed tax rate.

The first public hearing is scheduled for Monday, August 24, 2015 at 7:00 p.m. at the Lancaster Municipal Center, 211 North Henry Street, Lancaster, Texas 75146. The second public hearing is scheduled for Monday, August 31, 2015 at 7:00 p.m. at the Lancaster Municipal Center, 211 North Henry Street, Lancaster, Texas 75146.

Attachments

2015 Property Tax Rate Calculation

Submitted by:

Opal Mauldin Robertson, City Manager

2015 Effective Tax Rate Worksheet

City of Lancaster

Date: 07/30/2015 03:07 PM

1. 2014 total taxable value. Enter the amount of 2014 taxable value on the 2014 tax roll today. Include any adjustments since last year's certification; exclude Tax Code Section 25.25(d) one-third over-appraisal corrections from these adjustments. This total includes the taxable value of homesteads with tax ceilings (will deduct in Line 2) and the captured value for tax increment financing (will deduct taxes in Line 14). ¹	\$1,622,140,552
2. 2014 tax ceilings. Counties, cities and junior college districts. Enter 2014 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing units adopted the tax ceiling provision in 2014 or a prior year for homeowners age 65 or older or disabled, use this step. ²	\$0
3. Preliminary 2014 adjusted taxable value. Subtract Line 2 from Line 1.	\$1,622,140,552
4. 2014 total adopted tax rate.	\$0.867500/\$100
5. 2014 taxable value lost because court appeals of ARB decisions reduced 2014 appraised value. A. Original 2014 ARB Values.	\$149,280,760
B. 2014 values resulting from final court decisions.	\$133,922,050
C. 2014 value loss. Subtract B from A. ³	\$15,358,710
6. 2014 taxable value, adjusted for court-ordered reductions. Add Line 3 and Line 5C.	\$1,637,499,262
7. 2014 taxable value of property in territory the taxing unit deannexed after Jan. 1, 2014. Enter the 2014 value of property in deannexed territory. ⁴	\$0
8. 2014 taxable value lost because property first qualified for an exemption in 2015. Note that lowering the amount or percentage of an existing exemption does not create a new exemption or reduce taxable value. If the taxing unit increased an original exemption, use the difference between the original exempted amount and the increased exempted amount. Do not include value lost to freeport or goods-in-transit exemptions.	
A. Absolute exemptions. Use 2014 market value:	\$153,624
B. Partial exemptions. 2015 exemption amount or 2015 percentage exemption times 2014 value:	\$2,090,360
C. Value loss. Add A and B. ⁵	\$2,243,984
9. 2014 taxable value lost because property first qualified for agricultural appraisal (1-d or 1-d-1), timber appraisal, recreational/scenic appraisal or public access airport special appraisal in 2015. Use only properties that qualified in 2015 for the first time; do not use properties that qualified in 2014.	
A. 2014 market value:	\$223,500
B. 2015 productivity or special appraised value:	<div style="border: 1px solid black; display: inline-block; padding: 2px 5px;">85</div>

C. Value loss. Subtract B from A. ⁶	\$222,363
10. Total adjustments for lost value. Add lines 7, 8C and 9C.	\$2,466,347
11. 2014 adjusted taxable value. Subtract Line 10 from Line 6.	\$1,635,032,915
12. Adjusted 2014 taxes. Multiply Line 4 by Line 11 and divide by \$100.	\$14,183,910
13. Taxes refunded for years preceding tax year 2014. Enter the amount of taxes refunded by the taxing unit for tax years preceding tax year 2014. Types of refunds include court decisions, Tax Code Section 25.25(b) and (c) corrections and Tax Code Section 31.11 payment errors. Do not include refunds for tax year 2014. This line applies only to tax years preceding tax year 2014. ⁷	\$24,344
14. Taxes in tax increment financing (TIF) for tax year 2014. Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2015 captured appraised value in Line 16D, enter 0. ⁸	\$0
15. Adjusted 2014 taxes with refunds and TIF adjustment. Add Lines 12 and 13, subtract Line 14. ⁹	\$14,208,254
16. Total 2015 taxable value on the 2015 certified appraisal roll today. This value includes only certified values and includes the total taxable value of homesteads with tax ceilings (will deduct in Line 18). These homesteads include homeowners age 65 or older or disabled. ¹⁰	
A. Certified values:	\$1,776,715,230
B. Counties: Include railroad rolling stock values certified by the Comptroller's office:	\$0
C. Pollution control exemption: Deduct the value of property exempted for the current tax year for the first time as pollution control property:	\$0
D. Tax increment financing: Deduct the 2015 captured appraised value of property taxable by a taxing unit in a tax increment financing zone for which the 2015 taxes will be deposited into the tax increment fund. Do not include any new property value that will be included in Line 21 below. ¹¹	\$0
E. Total 2015 value. Add A and B, then subtract C and D.	\$1,776,715,230
17. Total value of properties under protest or not included on certified appraisal roll. ¹²	
A. 2015 taxable value of properties under protest. The chief appraiser certifies a list of properties still under ARB protest. The list shows the appraisal district's value and the taxpayer's claimed value, if any, or an estimate of the value if the taxpayer wins. For each of the properties under protest, use the lowest of these values. Enter the total value. ¹³	\$6,618,945
B. 2015 value of properties not under protest or included on certified appraisal roll. The chief appraiser gives taxing units a list of those taxable properties that the chief appraiser knows about, but are not included in the appraisal roll certification. These properties also are not on the list of properties that are still under protest. On this list of properties, the chief appraiser includes the market value, appraised value and exemptions for the preceding year and a reasonable estimate of the market value, appraised value and exemptions for the current year. Use the lower market, appraised or taxable value (as appropriate). Enter the total value. ¹⁴	\$0

C. Total value under protest or not certified: Add A and B.	\$6,618,945
18. 2015 tax ceilings. Counties, cities and junior colleges enter 2015 total taxable value of homesteads with tax ceilings. These include the homesteads of homeowners age 65 or older or disabled. Other taxing units enter 0. If your taxing units adopted the tax ceiling provision in 2014 or a prior year for homeowners age 65 or older or disabled, use this step. ¹⁵	\$0
19. 2015 total taxable value. Add Lines 16E and 17C. Subtract Line 18.	\$1,783,334,175
20. Total 2015 taxable value of properties in territory annexed after Jan. 1, 2014. Include both real and personal property. Enter the 2015 value of property in territory annexed. ¹⁶	\$0
21. Total 2015 taxable value of new improvements and new personal property located in new improvements. New means the item was not on the appraisal roll in 2014. An improvement is a building, structure, fixture or fence erected on or affixed to land. New additions to existing improvements may be included if the appraised value can be determined. New personal property in a new improvement must have been brought into the taxing unit after Jan. 1, 2014, and be located in a new improvement. New improvements do include property on which a tax abatement agreement has expired for 2015. ¹⁷	\$31,796,901
22. Total adjustments to the 2015 taxable value. Add Lines 20 and 21.	\$31,796,901
23. 2015 adjusted taxable value. Subtract Line 22 from Line 19.	\$1,751,537,274
24. 2015 effective tax rate. Divide Line 15 by Line 23 and multiply by \$100. ¹⁸	\$0.811187/\$100
25. COUNTIES ONLY. Add together the effective tax rates for each type of tax the county levies. The total is the 2015 county effective tax rate. ¹⁹	

A county, city or hospital district that adopted the additional sales tax in November 2014 or in May 2015 must adjust its effective tax rate. The Additional Sales Tax Rate Worksheet sets out this adjustment. Do not forget to complete the Additional Sales Tax Rate Worksheet if the taxing unit adopted the additional sales tax on these dates.

¹Tex. Tax Code Section 26.012(14)

²Tex. Tax Code Section 26.012(14)

³Tex. Tax Code Section 26.012(13)

⁴Tex. Tax Code Section 26.012(15)

⁵Tex. Tax Code Section 26.012(15)

⁶Tex. Tax Code Section 26.012(15)

⁷Tex. Tax Code Section 26.012(13)

⁸Tex. Tax Code Section 26.03(c)

⁹Tex. Tax Code Section 26.012(13)

¹⁰Tex. Tax Code Section 26.012(15)

¹¹Tex. Tax Code Section 26.03(c)

¹²Tex. Tax Code Section 26.01(c)

¹³Tex. Tax Code Section 26.04 and 26.041

¹⁴Tex. Tax Code Section 26.04 and 26.041

¹⁵Tex. Tax Code Section 26.012(6)

¹⁶Tex. Tax Code Section 26.012(17)

¹⁷Tex. Tax Code Section 26.012(17)

¹⁸Tex. Tax Code Section 26.04(c)

¹⁹Tex. Tax Code Section 26.04(d)

2015 Rollback Tax Rate Worksheet

City of Lancaster

Date: 07/30/2015

26. 2014 maintenance and operations (M&O) tax rate.	\$0.601200/\$100
27. 2014 adjusted taxable value. Enter the amount from Line 11.	\$1,635,032,915
28. 2014 M&O taxes.	
A. Multiply Line 26 by Line 27 and divide by \$100.	\$9,829,817
B. Cities, counties and hospital districts with additional sales tax: Amount of additional sales tax collected and spent on M&O expenses in 2014. Enter amount from full year's sales tax revenue spent for M&O in 2014 fiscal year, if any. Other taxing units enter 0. Counties exclude any amount that was spent for economic development grants from the amount of sales tax spent.	\$1,096,955
C. Counties: Enter the amount for the state criminal justice mandate. If second or later year, the amount is for increased cost above last year's amount. Other taxing units enter 0.	\$0
D. Transferring function: If discontinuing all of a department, function or activity and transferring it to another taxing unit by written contract, enter the amount spent by the taxing unit discontinuing the function in the 12 months preceding the month of this calculation. If the taxing unit did not operate this function for this 12-month period, use the amount spent in the last full fiscal year in which the taxing unit operated the function. The taxing unit discontinuing the function will subtract this amount in H below. The taxing unit receiving the function will add this amount in H below. Other taxing units enter 0.	\$0
E. Taxes refunded for years preceding tax year 2014: Enter the amount of M&O taxes refunded in the preceding year for taxes before that year. Types of refunds include court decisions, Tax Code Section 25.25(b) and (c) corrections and Tax Code Section 31.11 payment errors. Do not include refunds for tax year 2014. This line applies only to tax years preceding tax year 2014.	\$17,005
F. Enhanced indigent health care expenditures: Enter the increased amount for the current year's enhanced indigent health care expenditures above the preceding tax year's enhanced indigent health care expenditures, less any state assistance.	\$0
G. Taxes in TIF: Enter the amount of taxes paid into the tax increment fund for a reinvestment zone as agreed by the taxing unit. If the taxing unit has no 2015 captured appraised value in Line 16D, enter 0.	\$0
H. Adjusted M&O Taxes. Add A, B, C, E and F. For unit with D, subtract if discontinuing function and add if receiving function. Subtract G.	\$10,943,777
29. 2015 adjusted taxable value. Enter Line 23 from the Effective Tax Rate Worksheet.	\$1,751,537,274
30. 2015 effective maintenance and operations rate. Divide Line 28H by Line 29 and multiply by \$100.	\$0.624810/\$100
31. 2015 rollback maintenance and operation rate. Multiply Line 30 by 1.08.	\$0.674794 88

<p>32. Total 2015 debt to be paid with property taxes and additional sales tax revenue. "Debt" means the interest and principal that will be paid on debts that:</p> <ul style="list-style-type: none"> (1) are paid by property taxes, (2) are secured by property taxes, (3) are scheduled for payment over a period longer than one year and (4) are not classified in the taxing unit's budget as M&O expenses. <p>A. Debt also includes contractual payments to other taxing units that have incurred debts on behalf of this taxing unit, if those debts meet the four conditions above. Include only amounts that will be paid from property tax revenue. Do not include appraisal district budget payments. List the debt in Schedule B: Debt Service.</p> <p>B. Subtract unencumbered fund amount used to reduce total debt.</p> <p>C. Subtract amount paid from other resources.</p> <p>D. Adjusted debt. Subtract B and C from A.</p>	<p>\$4,612,360</p> <p>\$0</p> <p>\$0</p> <p>\$4,612,360</p>
33. Certified 2014 excess debt collections. Enter the amount certified by the collector.	\$0
34. Adjusted 2015 debt. Subtract Line 33 from Line 32D.	\$4,612,360
35. Certified 2015 anticipated collection rate. Enter the rate certified by the collector. If the rate is 100 percent or greater, enter 100 percent.	100.00%
36. 2015 debt adjusted for collections. Divide Line 34 by Line 35	\$4,612,360
37. 2015 total taxable value. Enter the amount on Line 19.	\$1,783,334,175
38. 2015 debt tax rate. Divide Line 36 by Line 37 and multiply by \$100.	\$0.258636/\$100
39. 2015 rollback tax rate. Add Lines 31 and 38.	\$0.933430/\$100
40. COUNTIES ONLY. Add together the rollback tax rates for each type of tax the county levies. The total is the 2015 county rollback tax rate.	

A taxing unit that adopted the additional sales tax must complete the lines for the Additional Sales Tax Rate. A taxing unit seeking additional rollback protection for pollution control expenses completes the Additional Rollback Protection for Pollution Control.

2015 Additional Sales Tax Rate Worksheet

City of Lancaster

Date: 07/30/2015

41. Taxable Sales. For taxing units that adopted the sales tax in November 2014 or May 2015, enter the Comptroller's estimate of taxable sales for the previous four quarters. ¹ Taxing units that adopted the sales tax before November 2014, skip this line.	\$0
42. Estimated sales tax revenue. Counties exclude any amount that is or will be spent for economic development grants from the amount of estimated sales tax revenue. ² Taxing units that adopted the sales tax in November 2014 or in May 2015. Multiply the amount on Line 41 by the sales tax rate (.01, .005 or .0025, as applicable) and multiply the result by .95. ³ - or - Taxing units that adopted the sales tax before November 2014. Enter the sales tax revenue for the previous four quarters. Do not multiply by .95.	\$1,096,955
43. 2015 total taxable value. Enter the amount from Line 37 of the Rollback Tax Rate Worksheet.	\$1,783,334,175
44. Sales tax adjustment rate. Divide Line 42 by Line 43 and multiply by \$100.	\$0.061512/\$100
45. 2015 effective tax rate, unadjusted for sales tax. Enter the rate from Line 24 or 25, as applicable, on the Effective Tax Rate Worksheet.	\$0.811187/\$100
46. 2015 effective tax rate, adjusted for sales tax. ⁴ Taxing units that adopted the sales tax in November 2014 or in May 2015. Subtract Line 44 from Line 45. Skip to Line 47 if you adopted the additional sales tax before November 2014.	\$0.811187/\$100
47. 2015 rollback tax rate, unadjusted for sales tax. ⁵ Enter the rate from Line 39 or 40, as applicable, of the Rollback Tax Rate Worksheet.	\$0.933430/\$100
48. 2015 rollback tax rate, adjusted for sales tax. Subtract Line 44 from Line 47.	\$0.871918/\$100

¹Tex. Tax Code Section 26.041(d)

²Tex. Tax Code Section 26.041(i)

³Tex. Tax Code Section 26.041(d)

⁴Tex. Tax Code Section 26.04(c)

⁵Tex. Tax Code Section 26.04(c)

LANCASTER CITY COUNCIL
Special Meeting Agenda Communication
August 3, 2015

Item 4

Consider a Resolution Adopting the City of Lancaster Proposed Budget Calendar for Fiscal Year 2015-2016.

This request supports the City Council 2015-2016 Policy Agenda.

Goal: Financially Sound City Government

Background

The City Manager will present an overview of the proposed FY 2015-2016 municipal budget for all funds. At the work session to be held on Monday, August 3, 2015, City Council is required to consider a resolution that established the calendar of the Fiscal Year 2015/2016 tax rate and budget. The budget calendar establishes the public hearings, date, time and location for City Council meetings.

Considerations

Operational – Approving this resolution establishes the schedule relative to the adoption of the Fiscal Year 2015-2016 budget. The following is the proposed calendar for budget work sessions and meetings.

- August 3, 2015: Special Meeting and Work Session – FY 15/16 Proposed Budget Presentation
 - August 10, 2015: Regular Meeting – PID Public Hearings
 - August 17, 2015: Special Meeting and Work Session (if needed)
 - August 20, 2015: Budget Town Hall Meeting, 6:30 p.m. at the Recreation Center
 - August 24, 2015: Regular Meeting (1st Public Hearing) – Tax Rate, Budget, PIDs
 - August 29, 2015: Budget Town Hall Meeting, 9:00 a.m. at the Recreation Center
 - August 31, 2015: Special Meeting (2nd Public Hearing) –Tax Rate, Budget
 - September 14, 2015: Regular Meeting – Budget Adoption, Tax Rate Adoption
- **Legal** – The resolution has been approved as to form by the City Attorney.
 - **Financial** – An overview of the total operating budget will be presented for discussion and consideration.
 - **Public Information** – This item is being considered at a meeting of the City Council noticed in accordance with the Texas Open Meetings Act.

Options/Alternatives

1. City Council may approve the resolution, as presented.
2. City Council may deny the resolution.

Recommendation

Staff recommends approval of the resolution as presented.

Attachments

- Resolution
-

Submitted by:

Rona Stringfellow, Assistant City Manager

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, ADOPTING THE CITY OF LANCASTER PROPOSED BUDGET CALENDAR FOR THE FISCAL YEAR 2015-2016, INCLUDING THE PUBLIC IMPROVEMENT DISTRICTS, THE LANCASTER ECONOMIC DEVELOPMENT CORPORATION (TYPE A), AND THE LANCASTER RECREATIONAL DEVELOPMENT CORPORATION (TYPE B) BUDGET.

WHEREAS, the City Council finds that it is in the best interest of the City to establish a meeting schedule relative to the adoption of Fiscal Year 2015-2016 budget; and

WHEREAS, the budget calendar established meetings at a convenient date and place; and

WHEREAS, the City Council desires to adopt a proposed budget calendar for the Fiscal Year 2015-2016 budget cycle.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS; THAT:

SECTION 1. The City Council hereby adopts the Fiscal Year 2015-2016 proposed budget calendar as shown in the attached Exhibit "A." Dates are subject to adjustment due to scheduling requirements. Meetings will be posted in accordance with the Texas Open Meetings Act.

SECTION 2. That any prior Resolution of the City Council in conflict with the provisions contained in this Resolution are hereby repealed and revoked.

SECTION 3. This Resolution shall take effect immediately from and after its passage in accordance with the provisions of the law.

SECTION 4. That should any part of this Resolution be held to be invalid for any reason, the remainder shall not be affected thereby, and such remaining portions are hereby declared to be severable.

SECTION 5. That this Resolution shall take effect immediately from and after its passage, and it is duly resolved.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the 3rd day of August 2015.

ATTEST:

APPROVED:

Sorangel O. Arenas, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

Robert E. Hager, City Attorney

Exhibit "A"

City of Lancaster City Council Proposed Budget Calendar Fiscal Year 2015-2016

Monday August 3	Budget Work Session to receive FY 15/16 proposed budget
Monday August 10	Regular meeting – Conduct Public Hearings for Public Improvement Districts (PID) and Record Vote regarding Tax Rate (if necessary)
Monday August 17	Special Meeting and Budget Work Session
Thursday August 20	Budget Town Hall Meeting
Monday August 24	Conduct Public Hearing on proposed Tax Rate, and FY 2015/2016 budgets; Consider Public Improvement Districts Service Plans
Saturday August 29	Budget Town Hall Meeting
Monday August 31	Conduct Second Public Hearing on Proposed Tax Rate and Proposed FY 2015/2016 budget.
Monday September 14	Consider Tax Rate and FY 2015/2016 budget

LANCASTER CITY COUNCIL
Work Session Agenda Communication
August 3, 2015

WS Item 1

Receive a presentation and discuss the Fiscal Year 2015-2016 proposed budget.

This request supports the City Council 2015-2016 Policy Agenda.

Goal: Financially Sound City Government

Background

The City Manager will present an overview of the proposed FY 2015-2016 municipal budget for all funds. A detailed budget notebook will be provided to Council at the meeting.

The following is the budget work session and meeting schedule:

- August 3, 2015: Special Meeting – Tax rate and Work Session – FY 15/16 Proposed Budget Presentation
 - August 10, 2015: Regular Meeting – PID Public Hearings
 - August 17, 2015: Special Meeting and Work Session (if needed)
 - August 20, 2015: Budget Town Hall Meeting, 6:30 p.m. at the Recreation Center
 - August 24, 2015: Regular Meeting (1st Public Hearing) – Tax Rate, Budget, PIDs
 - August 29, 2015: Budget Town Hall Meeting, 9:00 a.m. at the Recreation Center
 - August 31, 2015: Special Meeting (2nd Public Hearing) –Tax Rate, Budget
 - September 14, 2015: Regular Meeting – Budget Adoption, Tax Rate Adoption
-

Submitted by:

Rona Stringfellow, Assistant City Manager