



NOTICE OF REGULAR MEETING AGENDA
LANCASTER CITY COUNCIL
MUNICIPAL CENTER CITY COUNCIL CHAMBERS
211 N. HENRY STREET, LANCASTER, TEXAS
Monday, September 26, 2011 – 7:00 P.M.



CALL TO ORDER

INVOCATION: MINISTERIAL ALLIANCE

PLEDGE OF ALLEGIANCE: COUNCILMEMBER STANLEY JAGLOWSKI

PRESENTATION: EAGLE SCOUT

CITIZENS' COMMENTS: (At this time citizens who have pre-registered before the call to order will be allowed to speak on any matter other than personnel matters or matters under litigation, for a length of time not to exceed three minutes. No Council action or discussion may take place on a matter until such matter has been placed on an agenda and posted in accordance with law.)

ACTION

1. Consider confirmation of Larry Flatt as Chief of Police of the Lancaster Police Department; and administer the Oath of Office.

CONSENT AGENDA: (Items listed under the consent agenda are considered routine and are generally enacted in one motion. The exception to this rule is that a Council Member may request one or more items to be removed from the consent agenda for separate discussion and action.)

- 2C. Consider approval of minutes from the City Council Regular Meeting held September 12, 2011.
- 3C. Consider Resolution 2011-09-82 of the City Council of the City of Lancaster, Texas, authorizing a lease agreement with Chase Equipment Finance for the purchase of telephone equipment and maintenance from Comm3 through a cooperative purchasing agreement with the Department of Information Resources (DIR) contract #DIR-SDD-1603 for a total amount not to exceed \$383,605.20; authorizing the City Manager to execute the agreement pursuant to approval; providing a repealing clause; providing a severability clause; and providing an effective date.
- 4C. Consider Resolution 2011-09-83 of the City Council of the City of Lancaster, Texas, approving funding of the Texas Department of Transportation (TXDOT) 1218LNCAS project for 2012 through 2014 at the Lancaster Regional Airport; authorizing the City Manager to execute said funding; providing a repealing clause; providing a severability clause; and providing an effective date.

PUBLIC HEARING

5. Conduct a Public Hearing and consider an ordinance of the City of Lancaster, Texas, amending the Lancaster Development Code by amending Article 14.400, Section 14.402, subsection (c)(6), Community Or Halfway House, for the purpose of removing reference to Community or Halfway Houses, adding the definition of "boarding home" and requiring a Specific Use Permit for any said use in Multi-Family residential zoning districts (MF-16); amending Article 14.400, Section 14.402 for the purpose of adding subsection (c)(11) to add the definition of "penal boarding home" and requiring a Specific Use Permit for any said use in Light Industrial (LI) and Medium Industrial (MI) zoning districts; amending Article 14.400, Section 14.401 Land Use Schedule, for the purpose of amending Table 1, Land Use Tables, to remove reference to "halfway house" and to reflect the requirement for Specific use Permits for any Boarding Home use in Multi-Family residential zoning districts (MF-16) and for any Penal board Home use in Light Industrial (LI) and Medium Industrial (MI) districts; amending Article 14.1300, Section 14.1302, subsection (a) General Definitions, for the purpose of amending the definitions of "boarding house or lodging house" and "family" and adding the definition of "penal boarding home"; providing a repealing clause; providing a severability clause; providing a penalty of fine not to exceed two thousand dollars (\$2,000); and providing an effective date.

ACTION

6. Discuss and consider an ordinance of the City of Lancaster, Texas, authorizing the issuance of City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011; and containing other matters incident thereto.
7. Discuss and consider confirmation of a Civil Service Commission appointment as designated by the City Manager.
8. Discuss and consider confirmation of nominations by the Planning and Zoning Commission for appointment to the Lancaster Historic Landmark Preservation Committee (HLPC).

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 _____, 2011 @ _____ and copies thereof were hand delivered to the Mayor, Mayor Pro-Tempore, Deputy Mayor Pro-Tempore and Council members.

Dolle K. Downe, TRMC
City Secretary

LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

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AG11-001

Consider confirmation of Larry Flatt as Chief of Police of the Lancaster Police Department; and administer the Oath of Office.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 4: Professional & Committed Workforce

Background

Section 143.03 of the Texas Local Government Code requires the appointment of a person as head of the police department to be confirmed by the municipality's governing body.

Larry Flatt has been appointed to serve as Police Chief for the Lancaster Police Department.

Chief Flatt has served the City of Lancaster for 42 years and is a certified master police officer, a graduate of the FBI National Academy and a lifelong resident of the City of Lancaster. His promotion follows eight years of service as Assistant Police Chief with the City.

Recommendation

The City Manager respectfully requests the confirmation of Larry Flatt as Police Chief for the Lancaster Police Department.

Following confirmation by the City Council, the City Secretary will administer the Oath of Office.

Prepared and submitted by:
Opal Mauldin Robertson, City Manager

Date: September 15, 2011

LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

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AG11-002

Consider approval of minutes from the City Council Regular Meeting held September 12, 2011.

Background

Attached for your review and consideration are minutes from the:

- City Council Regular Meeting held September 12, 2011

Prepared and submitted by:

Dolle K. Downe, City Secretary
September 14, 2011

MINUTES

LANCASTER CITY COUNCIL MEETING OF SEPTEMBER 12, 2011

The City Council of the City of Lancaster, Texas, met in Regular session in the Council Chambers of City Hall on September 12, 2011 at 7:00 p.m. with a quorum present to-wit:

Councilmembers Present:

Mayor Marcus E. Knight
Walter Weaver
Stanley Jaglowski
Marco Mejia
James Daniels
Mayor Pro Tem Clyde Hairston
Deputy Mayor Pro Tem Nina Morris

City Staff Present:

Opal Mauldin Robertson, City Manager
Sean Johnson, Parks and Recreation Director
Sheree Haynes, Finance Director
Dori Lee, Human Resources Director
Clovia English, Public Works Director
Larry Flatt, Police Chief
Thomas Griffith, Fire Chief
Robert E. Hager, City Attorney
Dolle Downe, City Secretary

Call to Order:

Mayor Knight called the meeting to order at 7:00 p.m. on September 12, 2011.

Invocation:

Pastor Martin Cottman gave the invocation.

Pledge of Allegiance:

Councilmember Walter Weaver led the Pledge of Allegiance.

Citizens Comments:

James Leveretz, 604 C.R. 4557, Winnsboro, Texas, stated he has been a tenant at the airport since 1986; commented that he had received a letter from the airport manager; stated that some of the larger airport hangars have roof leaks and need insulation, grading of the taxiway is needed to keep water out and that materials for these repairs are stored in a hangar, but no work has been done; stated that the new fee schedule includes rate increases for the hangars, but there has been no repair work; asked Council to do their due diligence about airport matters.

R. Taylor, 514 Aspen, stated his concerns had been submitted to the City Manager in a letter, but he has had no response to date; commented that he had called Councilmember Mejia with no response; stated he is being stalked and harassed by a city employee; provided a copy of the letter for Council.

Councilmember Mejia stated that he would meet with him and the City Manager.

April Bailey, 214 Hill Lane, Red Oak, commented that as a former employee of the City, she was here to support Mr. Taylor's claim about being harassed by a city employee.

James Adams, 2003 Hash Road, commented that he is opposed to items 16 & 17 [CPI increase for Allied Waste Services]; stated that the City should not grant a cost-of-living allowance to Allied Waste or increase the rate on garbage collection.

Pat Wood, 121 Ellis Street, commented that as the 2nd Saturday on the Square Coordinator, she would like to commend the job that City staff is doing in getting ready for the 2nd Saturday events; stated that it is important to promote the Town Square and asked councilmembers to please support Town Square activities.

Richard Griesman, 128 Pecan Grove, expressed concern about rental of the kitchen area at the Senior Life Center; stated that originally the kitchen area was not to be rented; commented that if it is going to be rented, there should be an increased deposit to cover clean-up or damage.

Consent Agenda:

City Secretary Downe read the consent agenda.

- 1C. Consider approval of minutes from the City Council Regular Meeting held August 22, 2011.**
- 2C. Consider Resolution 2011-09-72 of the City Council of the City of Lancaster, Texas, adopting the City of Lancaster Financial Policy providing for prudent financial management of all funds to enable the City to maintain a long term stable and positive financial condition and provide guidelines for the day-to-day planning and operation of the City's financial matters; and providing an effective date.**
- 3C. Consider Resolution 2011-09-73 of the City Council of the City of Lancaster, Texas, adopting the City of Lancaster Investment Policy; providing that all funds of the City be managed and invested for safety, liquidity, diversification and yield and that investments be chosen in a manner which promotes diversity by market sector, credit and maturity; providing that this Policy serves to satisfy the requirements of Chapter 2256 "Public Funds Investment Act"; and providing an effective date.**
- 4C. Consider an ordinance of the City of Lancaster, Texas, amending the Code of Ordinances, by amending Chapter 13, Article 13.500, Section 13.508 Collection of Water Service Charges, by amending the billing and collection for water and/or sewer bills; providing a repealing clause; providing a severability clause; and providing an effective date.**
- 5C. Consider Resolution 2011-09-74 of the City Council of the City of Lancaster, Texas, electing to require the remittance of a Public Educational and Government (PEG) fee by holders (Time Warner Cable) of a state issued Certificate of Franchise Authority; and providing an effective date.**

- 6C. Consider Resolution 2011-09-75 of the City Council of the City of Lancaster, Texas, authorizing the Mayor to execute an Assignment of Pipeline License to the Trinity River Authority of Texas for a sewer pipeline running through the Bear Creek Force Main Crossing through the Burlington Northern Santa Fe Railway UP 98 Right-of-way and operated by the Trinity River Authority Red Oak Creek Regional Wastewater System; repealing all resolutions in conflict; providing a severability clause; and providing an effective date.**
- 7C. Consider Resolution 2011-09-76 of the City Council of the City of Lancaster, Texas, approving the terms and conditions of the First Amendment to the interlocal agreement by and between the University of Texas Southwestern Medical Center at Dallas and the City of Lancaster for services related to the provision of paramedic continuing education; authorizing the City Manager to execute said amendment; providing a severability clause; and providing an effective date.**

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Deputy Mayor Pro Tem Morris, to approve consent items 1C - 7C. The vote was cast 7 for, 0 against.

- 8. Conduct a Public Hearing on the proposed Fiscal Year 2011-2012 budget and consider an ordinance of the City of Lancaster, Texas, approving and adopting a budget for the fiscal year beginning October 1, 2011 and ending September 30, 2012; providing that expenditures for said fiscal year shall be in accordance with said budget; providing for the repeal of all ordinances in conflict; providing a severability clause; and providing an effective date.**

City Manager Mauldin Robertson stated that the fiscal year budget presented for 2011-2012 maintained the same tax rate but apportions the allocation differently by decreasing the maintenance and operations from \$0.6502 to \$0.6012 and increasing the interest and sinking fund portion from \$0.2173 to \$0.2663. City Manager Mauldin Robertson commented that work sessions had been conducted on the proposed budget on August 1 and 15 and a public hearing was held at the August 22 City Council meeting.

Mayor Knight opened the public hearing.

There were no requests to speak.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Deputy Mayor Pro Tem Morris, to close the public hearing. The vote was cast 7 for, 0 against.

Councilmember Mejia commented that the City has come a long way and commended the City Manager and her staff on their work on the budget; he noted that everyone needs to realize we are in a recession and there is a long way to go. Councilmember Mejia stated that he gave up his Council travel budget and reimbursed the City luncheon costs incurred in this fiscal year. Councilmember Mejia also noted he had given up the City cell phone and was ready to go paperless for agenda packet, commenting that everyone is a steward of taxpayer money.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve the ordinance adopting a budget for the fiscal year beginning October 1, 2011 and ending September 30, 2012.

MOTION: Councilmember Weaver made a motion to amend Mayor Pro Tem Hairston's motion to remove the City Council travel line items from the budget except for \$2,000 for the Mayor to represent the City and to make those funds undesignated in the general fund. The motion was seconded by Councilmember Mejia.

Councilmember Daniels commented that the travel funds are used for participation in events and training that is valuable to the citizens of Lancaster.

Deputy Mayor Pro Tem Morris stated that continuing education is vital for everyone both in government and in the corporate world, saying that she understands we are in a recession, but it is a necessary part of the job in representing the citizens.

Councilmember Mejia stated that all kinds of training are available through a wide variety of resources including the internet and networking. He commented that Council needs to lead the City out of the recession.

Mayor Pro Tem Hairston stated that the Council travel budget had been reduced the last two fiscal years and that Council is taking a cut, commenting that training and participation in City events is beneficial.

The vote was cast 2 for [Weaver, Mejia], 5 against [Jagowski, Knight, Daniels, Hairston, Morris] on Councilmember Weaver's amendment to the original motion. The motion fails.

The vote was cast 6 for, 1 against [Mejia] on the original motion to approve the ordinance adopting a budget for the fiscal year beginning October 1, 2011 and ending September 30, 2012. The budget, as presented, is adopted.

9. **Conduct a Public Hearing on the proposed tax rate for Fiscal Year 2011-2012 and consider an ordinance of the City of Lancaster, Texas, levying ad valorem taxes for Fiscal Year 2011-2012 at \$0.8675 per one hundred dollars assessed valuation of all taxable property within the corporate limits to provide additional revenues for maintenance and operations and interest and sinking funds requirements; providing due and delinquent dates, penalties, and interest; providing a homestead exemption and disability exemption; and providing an effective date.**

City Manager Mauldin Robertson noted that the total tax rate remains the same with maintenance and operations decreasing to \$0.6012 and the interest and sinking fund increasing to \$0.2663.

Mayor Knight opened the public hearing.

There were no requests to speak.

MOTION: Deputy Mayor Pro Tem Morris made a motion, seconded by Mayor Pro Tem Hairston, to close the public hearing. The vote was cast 7 for, 0 against.

MOTION: Councilmember Daniels made a motion, seconded by Mayor Pro Tem Hairston, to approve an ordinance levying ad valorem taxes for Fiscal Year 2011-2012 at \$0.8675 per one hundred dollars assessed valuation of all taxable property within the corporate limits to provide additional revenues for maintenance and operations and interest and sinking funds requirements; providing due and delinquent dates, penalties, and interest; and providing a homestead exemption and disability exemption. The vote was cast 6 for, 1 against [Mejia].

Deputy Mayor Pro Tem Morris thanked the City Manager for the diligent work on the budget and for keeping the tax rate the same while allocating more money to the debt service.

10. **Discuss and consider Resolution 2011-09-77 of the City Council of the City of Lancaster, Texas, ratifying the budget for the Fiscal Year 2011-2012 that results in a decrease of revenues from property taxes than the previous years; and providing an effective date.**

City Manager Mauldin Robertson stated that a separate vote of the governing body is required to ratify the budget for fiscal year 2011-2012.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve a budget that will result in a decrease of revenue from property taxes than the previous year and to ratify a property tax revenue decrease reflected in said budget [Resolution 2011-09-77]. The vote was cast 7 for, 0 against.

Mayor Knight commented that he appreciated the budget process this year and commended the City Manager and staff for their hard work on the budget. Mayor Knight noted that three Town Hall meetings were held on the budget and encouraged citizens' participation in the budget process.

Mayor Pro Tem Hairston commented that he appreciated the transparency in the budget process this year and thanked the City Manager and staff.

11. **Discuss and consider an ordinance of the City of Lancaster, Texas, making certain findings in connection with the proposed supplemental services ordered in connection with the Lancaster Boardwalk Public Improvement District; providing for: findings of benefits accrued, accepting five year service plan, recording final assessment onto tax roll, setting the assessment levy, establishing a method of payment, assessment due, and providing clauses for conflict, severability and effective date.**

City Manager Mauldin Robertson noted that a public hearing had been conducted on the Boardwalk Public Improvement District at the August 22, 2011 Council meeting.

MOTION: Councilmember Daniels made a motion, seconded by Mayor Pro Tem Hairston, to approve an ordinance making certain findings in connection with the proposed supplemental services ordered in connection with the Lancaster Boardwalk Public Improvement District; providing for: findings of benefits accrued, accepting five year service plan, recording final assessment onto tax roll, setting the assessment levy, and establishing a method of payment, assessment due. The vote was cast 7 for, 0 against.

12. **Discuss and consider an ordinance of the City of Lancaster, Texas, making certain findings in connection with the proposed supplemental services ordered in connection with Millbrook East Public Improvement District; providing for: findings of benefits accrued, accepting five year service plan, recording final assessment onto tax roll, setting the assessment levy, establishing a method of payment, assessment due, and providing clauses for conflict, severability and effective date.**

City Manager Mauldin Robertson noted that a public hearing had been conducted on the Millbrook East Public Improvement District at the August 22, 2011 Council meeting.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve an ordinance making certain findings in connection with the proposed supplemental services ordered in connection with Millbrook East Public Improvement District; providing for: findings of benefits accrued, accepting five year service plan, recording final assessment onto tax roll, setting the assessment levy, establishing a method of payment, and assessment due. The vote was cast 7 for, 0 against.

13. **Discuss and consider an ordinance of the City of Lancaster, Texas, making certain findings in connection with the proposed supplemental services ordered in connection with the Meadowview Public Improvement District; providing for: findings of benefits accrued, accepting five year service plan, recording final assessment onto tax roll, setting the assessment levy, establishing a method of payment, assessment due, and providing clauses for conflict, severability and an effective date.**

City Manager Mauldin Robertson noted that a public hearing had been conducted on the Meadowview Public Improvement District at the August 22, 2011 Council meeting.

MOTION: Councilmember Daniels made a motion, seconded by Mayor Pro Tem Hairston, to approve an ordinance making certain findings in connection with the proposed supplemental services ordered in connection with the Meadowview Public Improvement District; providing for: findings of benefits accrued, accepting five year service plan, recording final assessment onto tax roll, setting the assessment levy, establishing a method of payment, and assessment due. The vote was cast 6 for, 1 against [Morris].

14. **Discuss and consider an ordinance of the City of Lancaster, Texas, establishing Civil Service Classification within the Police and Fire Departments; prescribing the number of positions in each classification; and providing an effective date.**

City Manager Mauldin Robertson stated that the City Council must establish civil service classifications and number of positions in the Police and Fire Departments each budget year.

Councilmember Mejia stated that given the budget problems the City is experiencing, it is appropriate to restructure the Police Department to eliminate an Assistant Chief position and use a captain position to save money.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve an ordinance establishing Civil Service Classification within the Police and Fire Departments and prescribing the number of positions in each classification. The vote was cast 6 for, 1 against [Mejia].

15. **Discuss and consider an ordinance of the City of Lancaster, Texas, providing for increased prior and current service annuities under the Act governing the Texas Municipal Retirement System (TMRS) for retirees and beneficiaries of deceased retirees of the City of Lancaster; and establishing an effective date for the ordinance.**

City Manager Mauldin Robertson outlined the proposed changes that reduce the cost-of-living adjustment for retirees from 70% to 50% which will result in an estimated cost savings of \$177,000 for the City and reduces the City's contribution rate from 15.59% to 13.7% and increases the City's funding ratio from 73.4% to 77.5%.

Councilmember Mejia expressed his concerns about the sustainability of the retirement benefit, noting that previous Council's had changed the plan from twenty-five to twenty years service which cannot now be changed. He commented that Council needs to be cautious with changes.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve an ordinance providing for increased prior and current service annuities under the Act governing the Texas Municipal Retirement System (TMRS) for retirees and beneficiaries of deceased retirees of the City of Lancaster. The vote was cast 7 for, 0 against.

16. **Discuss and consider Resolution 2011-09-78 of the City Council of the City of Lancaster, Texas, approving a Consumer Price Index (CPI) rate increase request by Allied Waste Services; and providing an effective date.**

City Manager Mauldin Robertson stated that Council is being asked to consider authorizing a Consumer Price Index rate increase as provided in the agreement which will result in an increase of \$0.39 per month for residential customers and \$0.51 per month for commercial hand-collect accounts.

Councilmember Daniels commented that this is allowed by the contract and there are no service issues.

Deputy Mayor Pro Tem Morris asked why the City was not presented with a decrease for a fuel adjustment since fuel prices have gone down and commented about the pick-up schedule being moved forward one day for a holiday schedule and sometimes not picked up.

Brenda Lalonde, with Allied Waste Services, noted that no fuel adjustment or CPI rate increase has been made in over a year and costs have increased.

Mayor Knight said that as a professional in the solid waste hauling business, he could comment that it is typical to roll trash service to the next available day following a holiday and that if someone did experience service problems [no pick-up], City Administration should be notified promptly to address the problem. Mayor Knight further commented that he had reviewed the rate with the City Manager and it is reasonable.

Councilmember Mejia asked about the dates of revisions to the service agreement. City Manager Mauldin Robertson noted that the agreement was originally signed in 2001 and in 2005 went to a once a week pick up schedule, followed by a change in 2009 that implemented the Recycle Bank program.

Councilmember Weaver asked how much is the actual cost to pick up the trash and what has increased, commenting that he knows what the contract says, but does not think the City should write a blank check for increases with no actual costs being presented.

Mayor Pro Tem Hairston commented that not everyone currently seated was on Council at the time the changes were made to the Allied Waste agreement, but the contract was authorized by the seated Council at the time and should be honored.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve Resolution 2011-09-78 approving a Consumer Price Index (CPI) rate increase request by Allied Waste Services. The vote was cast 4 for [Jaglowksi, Knight, Daniels, Hairston], 3 against [Weaver, Mejia, Morris].

17. **Discuss and consider Resolution 2011-09-79 of the City Council of the City of Lancaster, Texas, amending Section 10.1700 of the Master Fee Schedule for fees and charges assessed for garbage collection; providing a repealing clause; and providing an effective date.**

City Manager Mauldin Robertson noted that this item amends the Master Fee Schedule to include the changes to the Allied Waste rates.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve Resolution 2011-09-79 amending Section 10.1700 of the Master Fee Schedule for fees and charges assessed for garbage collection. The vote was cast 4 for [Jaglowksi, Knight, Daniels, Hairston], 3 against [Weaver, Mejia, Morris].

- 18. Discuss and consider Resolution 2011-09-80 of the City Council of the City of Lancaster, Texas, amending the rate for certain fees and charges assessed and collected by the City for water and wastewater services; providing a repealing clause; and providing an effective date.**

City Manager Mauldin Robertson outlined the request to amend the rates noting discussion by Council at work sessions on August 1 and 15 and that utility rates maintained since 2009 are marginally covering operating costs. The notice of violation to the City in regard to deficiencies in elevated water storage by the Texas Commission on Environmental Quality (TCEQ) and subsequent mandate requiring construction of an elevated water storage tank necessitate rate increases.

Mayor Pro Tem Hairston asked about the elevated storage tank. City Manager Mauldin Robertson noted the construction of the storage tank is part of the plan to the TCEQ to clear the violation.

Deputy Mayor Pro Tem Morris asked what would happen if the storage tank is not built. City Manager Mauldin Robertson stated that the TCEQ could fine the City if they are not in compliance under the plan submitted by the City to TCEQ.

Councilmember Mejia commented on the water tower on Beltline that was built, but is not operational, saying it was a big mistake. City Manager Mauldin Robertson commented that it was built prior to her being with the City, but in reviewing the documents, noted that it was built in anticipation of growth in that area and the storage tank to be built now to become compliant is based on current number of connections and established growth.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve Resolution 2011-09-80 amending the rate for certain fees and charges assessed and collected by the City for water and wastewater service. The vote was cast 6 for, 1 against [Mejia].

- 19. Discuss and consider Resolution 2011-09-81 of the City Council of the City of Lancaster, Texas, providing for adoption of the new Master Fee Schedule for all fees and charges assessed and collected by the City; providing a repealing clause; and providing an effective date.**

City Manager Mauldin Robertson noted the updated fee schedule included proposed changes to the airport t-hangar fees which are comparable to other regional airports in the area and updates other fees that support the adopted fiscal year 2011-2012 budget.

Mayor Knight asked if staff could help clarify the fee for rental of the kitchen at the Senior Life Center. Parks and Recreation Director Johnson stated that fees for rental of the Senior Life Center were lowered to encourage rental of the facility and that the kitchen is considered an amenity. Director Johnson stated that there is a steeper deposit for rental of the facility and that there is a plan in place to address any issues with clean-up and/or damage to the kitchen.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to approve Resolution 2011-09-81 providing for adoption of the new Master Fee Schedule for all fees and charges assessed and collected by the City. The vote was cast 7 for, 0 against.

20. Receive a presentation and discuss draft redistricting plans from Bickerstaff Heath Delgado Acosta LLP.

John Long with the firm of Bickerstaff Heath Delgado Acosta presented a proposed draft Council redistricting plan based on input from individual councilmembers, 2010 Census data and legal requirements for redistricting. Mr. Long noted that currently the council districts, particularly District 4, are out of population balance, and the proposed district configuration balances the populations while meeting legal requirements for redistricting.

Following the presentation, Mayor Knight called for a brief recess at 8:40 p.m. Council reconvened at 8:45 p.m.

Councilmember Weaver asked if the proposed redistricting plan considered future population growth. Mr. Long stated that it does not because the submission to the Department of Justice for approval must be based on the 2010 Census data.

21. Discuss and consider designating one or more draft redistricting plans as "Illustrative Plan(s)" to be proposed for public consideration and comment.

MOTION: Councilmember Weaver made a motion, seconded by Councilmember Mejia, to accept the draft redistricting plan, as presented, as the Illustrative Plan to be considered for public comment. The vote was cast 7 for, 0 against.

22. Discuss and consider scheduling a public hearing date to receive public consideration and comment on Illustrative Plan(s) as designated by City Council.

MOTION: Councilmember Weaver made a motion, seconded by Councilmember Mejia, to set the public hearing for Monday, September 26, 2011 at 7 p.m. in the Council Chambers.

Councilmember Mejia suggested a friendly amendment to the motion to change the public hearing date to Monday, October 3, 2011 to avoid conflict with a school district meeting scheduled for September 26. Councilmember Weaver accepted the amendment.

AMENDED MOTION: Councilmember Weaver made a motion, seconded by Councilmember Mejia, to set the public hearing for Monday, October 3, 2011 at 7 p.m. in the Council Chambers. The vote was cast 7 for, 0 against.

EXECUTIVE SESSION

- 23. The City Council shall convene into closed executive session pursuant to Section § 551.071 of the TEXAS GOVERNMENT CODE to consult with and receive legal advice from special legal counsel concerning the Voting Rights Act of 1964 and City Council legal obligations.**
- 24. Reconvene into open session. Consider and take appropriate action(s), if any, on closed/executive session matters.**

Mayor Knight indicated there is no need for Council to convene into Executive Session since no legal consultation was needed regarding the proposed redistricting plan.

- 25. Discuss and consider appointment of council liaisons to City Boards and Commissions.**

Councilmembers discussed methods to break the tie since selection of council liaisons to boards and commissions is based on council seniority. The three-way tie is among Councilmembers Weaver and Mejia and Mayor Pro Tem Hairston. Mayor Pro Tem Hairston desired to draw numbers; Councilmember Mejia desired to set up a rotation system whereby the council member selecting first last year [Mayor Pro Tem Hairston] would select last this year and Councilmember Mejia would defer to Councilmember Weaver to select first this year and Councilmember Mejia would select first next year.

MOTION: Mayor Pro Tem Hairston made a motion, seconded by Councilmember Daniels, to draw for numbers in order to break the tie among the three, with the person drawing the first number selecting first and so forth. The vote was cast 3 for [Jaglowksi, Daniels, Hairston], 4 against [Weaver, Mejia, Knight, Morris]. The motion fails.

MOTION: Councilmember Weaver made a motion, seconded by Councilmember Daniels, to rotate the order of selection among the tied councilmembers with Councilmember Mejia selecting first this year, he [Weaver] selecting second and Mayor Pro Tem Hairston selecting third and to set the rotation for next year with Councilmember Mejia selecting first, Mayor Pro Tem Hairston selecting second and he [Weaver] selecting third. The vote was cast 6 for, 1 against [Hairston].

Councilmembers selected the following boards and/or commissions to serve as council liaisons:

Airport Board	Councilmember Weaver
Animal Shelter Advisory Committee	Councilmember Mejia
Civil Service Commission	Councilmember Weaver
Economic Development Corporation	DMPT Morris
Historic Landmark Preservation Committee	Councilmember Daniels
Property Standards and Appeals Board	Councilmember Mejia

Library Advisory Board

MPT Hairston

Parks and Recreation Advisory Board /
Recreational Development Corporation

MPT Hairston

Planning and Zoning Commission

Councilmember Daniels

Youth Advisory Committee

DMPT Morris

Zoning Board of Adjustment

Councilmember Jaglowski

MOTION: Councilmember Weaver made a motion, seconded by Councilmember Daniels, to adjourn. The vote was cast 7 for, 0 against.

The meeting was adjourned at 9:15 p.m.

ATTEST:

APPROVED:

Dolle K. Downe, City Secretary

Marcus E. Knight, Mayor

LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

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AG11-003

Consider a resolution of the City Council of the City of Lancaster, Texas, approving the proposal for telephone equipment and maintenance from Comm3 through a cooperative purchasing agreement with the Department of Information Resources (DIR) contract # DIR-SDD-1603; authorizing staff to pursue a lease agreement with Chase Financial Services for total lease payments not to exceed \$386,778.73 (financed amount \$366,345); authorizing the Purchasing Agent to issue a Purchase Order pursuant to approval, repealing all resolutions in conflict, providing a severability clause; and providing an effective date.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 1: Financially Sound City Government

Background

The City of Lancaster currently uses a combination of Toshiba (legacy) hybrid telephone system and a ShoreTel (newer) VoIP telephone system. There are many problems that exist due to compatibility issues between the two systems (no caller ID between systems, call transfer issues and management issues). Staff must support and maintain separate user/mailbox/fax databases for each system. In October, 2007 the City entered into a four year lease agreement with Tamco for the Toshiba system that will expire on October 1st, 2011. In June, 2009 the City entered into a five year lease agreement with Tamco for a ShoreTel VoIP system. This new ShoreTel system was installed at the newly built public safety building and both fire stations. This newer ShoreTel system has a 15 year life span. It is a software based system which allows for ease of upgrades and expansion, and has been recognized as the number one IP telephony product on the market for 8 consecutive years by Nemertes Research. Its modular design provides for limited failure points and system components, as well as simple and affordable disaster recovery options available to the city should we need them. The Toshiba legacy PBX technology has been modified to support some IP technology. Since it is more hardware based, many updates and upgrades require more component additions to upgrade. (i.e. additional hardware, modified hardware, and software.) We believe the city would be better served not investing in legacy hardware that will prove to be obsolete. Traditional systems in the category of our Toshiba system have a limited life cycle time of approximately 7 years.

The following are key benefits of the system.

- Complexity - Less complexity to manage with the Information Technology team as the system can be largely managed by city employees, which reduces staff time.
- Resources can be shared as the system will be reduced to one phone type.
- Shoretel phones have paperless labels reducing the need to type and retype phone labels each time you make system changes.
- Instant city wide directory for all phone users with features such as search by name and dial by name. Additionally, the electronic directory eliminates the need for paper directories and provides access to all employees.
- Visual of all City Staff via desktop application that indicates their availability, whether they are on the phone or in their office.
- Improved speed of City communications
- Call handling modes will allow calls handled in the appropriate way based upon the location of the employee and their status (out of office, in meeting, etc...)

In addition to the above employee benefits, citizens will experience better service in that staff will be able to direct calls accordingly, know who is available (in the office or on the phone), and with unified messaging it will allow staff to receive voicemail and faxes directly to their email.

Considerations

- **Operational** – Decrease IT staff time with the operation of one system instead of two and provides new, updated equipment with better features. The software based system allows for ease of upgrades and expansion, and the ShoreTel VoIP system has a life span of 15 years.
- **Legal** – The City maintains executed agreement with the above listed cooperative agency. Texas law authorizes cooperative agreements to help save time developing specifications and duplication during the bid process.
- **Financial** – Funding is available in the current budget Fiscal Year.

Account	Account Name	Amount
01-0507-16	Lease Payments	\$386,778.73

Staff has obtained quotes from three financial companies to provide lease financial services for this purchase. A Comparison is as follows.

Lender	Estimated Monthly Payment
Chase Financial	\$ 6,393.42
NEC Equipment Finance	\$ 6,794.55
TAMCO Capital	\$ 7,557.58

The term of the lease will be for five years and provides a savings of approximately \$613.61 per month over the current lease.

- **Public Information** – There are no public information requirements.

Options/Alternatives

1. City Council may approve the purchase of the new phone equipment, and authorize staff to pursue a lease agreement with Chase Financial Services for total lease payments not to exceed \$386,778.73 (financed amount \$366,345).
2. City Council may reject and direct staff as appropriate.

Recommendation

Staff recommends approving the purchase of new phone equipment with Comm3 and authorizing staff to pursue a lease agreement with Chase Equipment Finance in an amount not to exceed \$386,778.73 (financed amount \$366,345).

Attachments

- Resolution
- Lease Comparison

Prepared and submitted by:
Dawn Berry, Purchasing Agent
Ron Gleaves, IT Manager

Date: September 13, 2011

RESOLUTION NO. 2011-09-82

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING THE PROPOSAL FOR TELEPHONE EQUIPMENT AND MAINTENANCE FROM COMM3 THROUGH A COOPERATIVE PURCHASING AGREEMENT WITH THE DEPARTMENT OF INFORMATION RESOURCES (DIR) CONTRACT # DIR-SDD-1603; AUTHORIZING STAFF TO PURSUE A LEASE AGREEMENT WITH CHASE FINANCIAL SERVICES FOR TOTAL LEASE PAYMENTS NOT TO EXCEED \$388,778.73 (FINANCED AMOUNT \$366,345); AUTHORIZING THE PURCHASING AGENT TO ISSUE A PURCHASE ORDER PURSUANT TO APPROVAL; REPEALING ALL RESOLUTIONS IN CONFLICT; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Lancaster desires to purchase the telephone equipment;

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

Section 1. The City Council hereby approves the purchase of telephone equipment and maintenance from Comm3 through a cooperative purchasing agreement with the Department of Information Resources (DIR) for a total amount not to exceed three hundred eighty-three thousand six hundred five dollars and twenty cents (\$383,605.20).

Section 2. That the Purchasing Agent is hereby authorized to issue a purchase order.

Section 3. Any prior resolution of the City Council in conflict with the provisions contained in this Resolution are hereby repealed and revoked.

Section 4. Should any part of this resolution be held invalid for any reason, the remainder shall not be affected thereby, and such remaining portions are hereby declared severable.

Section 5. 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 26th day of September 2011.

ATTEST:

APPROVED:

Dolle K. Downe, City Secretary

Marcus E. Knight, Mayor

APPROVED AS TO FORM:

Robert E. Hager, City Attorney



Chase Equipment Finance
2200 Ross Avenue, 8th Fl
Dallas, TX 75201
Tel: 214-965-3943 Fax: 214-965-3987
E-Mail: larry.j.jackson@jpmchase.com

Larry Jackson
Vice President

July 26, 2011

Mr. Ron Gleaves
IT Manager - Technology Department
City of Lancaster
211 N. Henry St.
Lancaster, TX 75146

Re: Telephone and Communication System Financing

Dear Mr. Gleaves:

Chase Equipment Finance for itself, its parents and affiliates, its successors, and assigns, is pleased to submit the following lease proposal for your review and consideration. This letter is a proposal only and is contingent upon the Lessee's compliance with the requirements of the Internal Revenue Code of 1986 ("Code"), as amended, and all applicable state laws related to Lessee's ability to enter into a tax-exempt lease-purchase financing for the intended purposes. Upon your approval, this proposal will constitute Lessee's application to Lessor. This is for discussion purposes only and the terms and provisions are subject, among other things, to approval in accordance with Lessor's internal procedures, as well as certain additional conditions as set forth in the following.

LESSOR:	JPMorgan Chase Bank, N.A.
LESSEE:	City of Lancaster, TX
TRANSACTION:	Fixed-rate, fully amortizing, direct purchase tax-exempt lease-purchase agreement ("Agreement").
NON BANK QUALIFIED:	This proposal assumes that Lessee will issue less than \$10 million in tax-exempt obligations this calendar year and that the Lessee will designate this lease as a "bank qualified" tax-exempt obligation.
APPROPRIATION:	This Agreement shall be subject to appropriation.
USE OF PROCEEDS:	To finance the acquisition of ShoreTel Telephone/Communications Equipment
FINANCING AMOUNTS:	Not to exceed \$366,345
LOCATION OF EQUIPMENT:	Lancaster, TX
COMMENCEMENT DATE:	Anticipated to be no later than September 30, 2011. Pricing assumes a Commencement Date of September 30, 2011.

FINANCING TERM: 5 years

INTEREST RATE: 2.15%; Interest Rate is valid through July 26, 2011

PAYMENT / FREQUENCY: Monthly payments of principal and interest in arrears, with first payment due on October 30, 2011. Amortization schedule is attached.

Term	# of Payments	Tax-Exempt Interest Rate	Annual Payment
5 years	60	2.15%	\$6,446.31

ADJUSTMENTS TO RATE/PAYMENTS: The indicative, tax exempt Interest Rates above and the related Payments quoted herein are based on current market rates as indicated by the applicable Interest Rate Swap (mid) ("Index Rate"), as published via Bloomberg News. Index Rates (indicated below) are quotes as of July 26, 2011. For every change (increase or decrease) in the Index Rate between now and the Commencement Date, a corresponding adjustment will be made to the Interest Rates/Payments to maintain Lessor's economics. The final Interest Rates/Payments will be computed and agreed to 3 days prior to closing and will be firm for the entirety of the lease schedule.

Rate Calculation: (IR SWAP*64.03%) + Spread = All-In Rate
Example:

$$3 \text{ yr Swap} = .9650\% * 64.03\% + \underline{1.5321} = 2.15\%$$

FORWARD RATE LOCK: Upon award of transaction and final credit approval, a formal rate lock can be executed to maintain the Interest Rates. The indicative Interest Rates for a specified closing date will be provided upon request

PREPAYMENT: Lessee and Lessor agree that so long as no Event of Default has occurred and continues under the Lease and so long as Lessee gives Lessor at least 30 days prior written notice, Lessee may elect to prepay, in whole, on the next payment date following the notice, the total of: all accrued interest, late charges and other amounts then due and payable under the Lease; plus the remaining principal balance payable by Lessee under the Lease as of said prepayment date. Lease documents shall include a make-whole premium in the event principal is reduced at any time other than a scheduled principal reduction date or at maturity.

SECURITY: Lessee will grant Lessor a first priority security interest in the financed equipment.

- DOCUMENTATION:** Lessor or its counsel shall prepare documentation. Lessee shall also be responsible for its own expenses related to review of the Lease documents and delivery of legal/validity opinion to the Lessor. In the event of any conflict between the provisions of the Lease Documents and the provisions of the Request for Proposals, the provisions of the Lease Documents shall control.
- REPORTING REQUIREMENTS:** Lessee shall deliver audited annual financial statements within 180 days of end of each fiscal year.
- EVENTS OF DEFAULT:** The Events of Default will be standard and customary for transactions of this nature.
- DISBURSEMENT OF PROCEEDS:** Chase Equipment Finance offers the following funding options:
1. Direct payment to the vendor(s) or reimbursement of funds to the lessee.
 2. Escrow funding via an initial escrow deposit with JPMorgan Chase Bank, N.A. ('JPM') equal to the full Financing Amount from which disbursements will be made to vendors, or reimbursements to Lessee (in compliance with Treasury Reg. 1.150-2) as funds are required. Interest earned will be utilized for Lessee's benefit to conform to the escrow agreement.
- MAINTENANCE & INSURANCE:** All maintenance and insurance are the responsibility of Lessee. Lessee shall bear all risk of loss or damage to the Equipment and shall be responsible for keeping the Equipment insured with companies satisfactory to Lessor and for such amounts as required by Lessor. Lessor, its parents and affiliates, its successors, and assigns, must be named as loss payee and additional insured as applicable, on all insurance policies. Evidence of such insurance must be satisfactory to Lessor.
- REPRESENTATION & WARRANTIES:** Usual representations and warranties in connection with the financing, including without limitation, absence of material adverse change, absence of material litigation, absence of Default or potential default and continued accuracy of representations.
- CONDITIONS PRECEDENT:** Usual and customary conditions related to the issuance of the Tax Exempt financing, including acceptable legal documentation and standard approvals from the City, State and local officials, as may be required.
- GOVERNING LAW:** All aspects of the financing being discussed including this Proposal and any loan documents would be governed by the laws of the State of Texas.

ASSIGNMENT: This proposal assumes that Lessor *will assign* the transaction to JPMorgan Chase & Co.

PROPOSAL EXPIRATION: This proposal shall expire unless Lessee acknowledges its acceptance by signing and returning a copy of this proposal to Lessor by 8/2/2011.

IRS Circular 230 Disclosure: JPMorgan Chase & Co. and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with JPMorgan Chase & Co. of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

Please feel free to contact me at (214) 965-3943 or Katie Allen at 312-732-7194 if you have any questions, or would like to discuss this proposal in greater detail. Upon receipt of the accepted proposal, we will promptly begin the approval process so that we may be in a position to finalize this transaction with you. Thank you for allowing us to be of service!

Sincerely,

Chase Equipment Finance

Larry Jackson
Vice President
Chase Equipment Finance

cc: Reggie Peppers, Chase Bank, N.A.
Larry Jackson, Chase Equipment Finance

City of Lancaster, TX

Accepted Date: _____

Opal Mauldin-Robertson, City Manager

date	funding	Loan Amortization		principal	balance
		payment	Interest		
Jul-13-11	366,345.00				366,345.00
Aug-13-11		6,446.31	658.34	5,787.97	360,557.03
Sep-13-11		6,446.31	647.94	5,798.38	354,758.65
Oct-13-11		6,446.31	637.52	5,808.80	348,949.85
Nov-13-11		6,446.31	627.08	5,819.23	343,130.62
Dec-13-11		6,446.31	616.62	5,829.69	337,300.93
Jan-13-12		6,446.31	606.14	5,840.17	331,460.76
Feb-13-12		6,446.31	595.65	5,850.66	325,610.10
Mar-13-12		6,446.31	585.14	5,861.18	319,748.92
Apr-13-12		6,446.31	574.60	5,871.71	313,877.21
May-13-12		6,446.31	564.05	5,882.26	307,994.95
Jun-13-12		6,446.31	553.48	5,892.83	302,102.12
Jul-13-12		6,446.31	542.89	5,903.42	296,198.69
Aug-13-12		6,446.31	532.28	5,914.03	290,284.66
Sep-13-12		6,446.31	521.65	5,924.66	284,360.01
Oct-13-12		6,446.31	511.01	5,935.31	278,424.70
Nov-13-12		6,446.31	500.34	5,945.97	272,478.73
Dec-13-12		6,446.31	489.66	5,956.66	266,522.07
Jan-13-13		6,446.31	478.95	5,967.36	260,554.71
Feb-13-13		6,446.31	468.23	5,978.08	254,576.63
Mar-13-13		6,446.31	457.49	5,988.83	248,587.80
Apr-13-13		6,446.31	446.72	5,999.59	242,588.21
May-13-13		6,446.31	435.94	6,010.37	236,577.84
Jun-13-13		6,446.31	425.14	6,021.17	230,556.67
Jul-13-13		6,446.31	414.32	6,031.99	224,524.68
Aug-13-13		6,446.31	403.48	6,042.83	218,481.85
Sep-13-13		6,446.31	392.62	6,053.69	212,428.16
Oct-13-13		6,446.31	381.74	6,064.57	206,363.59
Nov-13-13		6,446.31	370.84	6,075.47	200,288.12
Dec-13-13		6,446.31	359.93	6,086.39	194,201.73
Jan-13-14		6,446.31	348.99	6,097.32	188,104.41

Feb-13-14	6,446.31	338.03	6,108.28	181,996.13
Mar-13-14	6,446.31	327.05	6,119.26	175,876.87
Apr-13-14	6,446.31	316.06	6,130.25	169,746.62
May-13-14	6,446.31	305.04	6,141.27	163,605.35
Jun-13-14	6,446.31	294.01	6,152.31	157,453.04
Jul-13-14	6,446.31	282.95	6,163.36	151,289.68
Aug-13-14	6,446.31	271.87	6,174.44	145,115.24
Sep-13-14	6,446.31	260.78	6,185.53	138,929.71
Oct-13-14	6,446.31	249.66	6,196.65	132,733.06
Nov-13-14	6,446.31	238.53	6,207.79	126,525.27
Dec-13-14	6,446.31	227.37	6,218.94	120,306.33
Jan-13-15	6,446.31	216.20	6,230.12	114,076.21
Feb-13-15	6,446.31	205.00	6,241.31	107,834.90
Mar-13-15	6,446.31	193.78	6,252.53	101,582.37
Apr-13-15	6,446.31	182.55	6,263.76	95,318.61
May-13-15	6,446.31	171.29	6,275.02	89,043.59
Jun-13-15	6,446.31	160.02	6,286.30	82,757.29
Jul-13-15	6,446.31	148.72	6,297.59	76,459.70
Aug-13-15	6,446.31	137.40	6,308.91	70,150.79
Sep-13-15	6,446.31	126.06	6,320.25	63,830.54
Oct-13-15	6,446.31	114.71	6,331.61	57,498.93
Nov-13-15	6,446.31	103.33	6,342.98	51,155.95
Dec-13-15	6,446.31	91.93	6,354.38	44,801.57
Jan-13-16	6,446.31	80.51	6,365.80	38,435.76
Feb-13-16	6,446.31	69.07	6,377.24	32,058.52
Mar-13-16	6,446.31	57.61	6,388.70	25,669.82
Apr-13-16	6,446.31	46.13	6,400.18	19,269.64
May-13-16	6,446.31	34.63	6,411.68	12,857.95
Jun-13-16	6,446.31	23.11	6,423.21	6,434.75
Jul-13-16	6,446.31	11.56	6,434.75	-
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	366,345.00	386,778.73	20,433.73	366,345.00

LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

4

AG11-004

Consider a resolution of the City Council of the City of Lancaster, Texas, approving funding of the Texas Department Of Transportation (TxDOT) 1218LNCAS project for 2012 through 2014 at Lancaster Regional Airport; authorizing the City Manager to execute said funding agreement; providing a repealing clause; providing a severability clause; and providing an effective date.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 5: Sound Infrastructure

Background

The next phase in the airport master plan at Lancaster Regional Airport begins in 2012 and continues until 2014. This entails the design/engineering and construction of a new aircraft apron, stub taxiway, connecting taxiway, helicopter landing apron, fuel farm, parking lot, and associated service roads. A new south ramp is key to continuing the airport master plan of increasing corporate jet business at the airport and increasing general aviation transient traffic all centered around a future planned terminal building. Having a new, larger, and more centrally located apron is crucial to boosting revenues, business and development at the airport. The airport has already experienced a growth in corporate jets by a factor of 8 since the runway was extended in 2010. The helicopter landing apron is vital to increasing operational safety and ease of use by helicopters. The airport currently has 10 helicopters based at the airfield and is frequented by many transient helicopters as well. More than half of these helicopters belong to the Cold War Air Museum. They operate very large military helicopters that produce such a large rotor wash that light fixed wing airplanes can be flipped if parked too close to them. This specially designated helicopter landing apron mitigates the risk and enhances safety for both fixed wing and rotary wing operators. The taxiways are required infrastructure to connect both new aprons to the current runway/taxiway/apron system. The fuel farm is needed to add value and boost revenues of avgas fuel sales. It will allow for large volume and 24/7 sales. The parking lot and service roads are to serve the new apron and terminal building and are required infrastructure to conduct operations at the new apron. The master plans calls for the terminal building to be constructed in 2014, but will be a separate TxDOT project.

Considerations

- **Operational** – Operational levels at the airport justify continuing the master plan.
- **Legal** – The resolution has been reviewed by the city attorney.
- **Financial** – The City of Lancaster's sponsor share is \$31,000 in 2012 for the Design and engineering.
- **Public Information** - There are no public information requirements.

Options/Alternatives

1. Council may approve the resolution as presented.
2. Council may reject the resolution. This will delay or halt progress on the master plan and adversely impact our future funding opportunities with TxDOT Aviation.

Recommendation

Staff recommends approval of the resolution.

Attachments

- Resolution
- Aviation Capital Improvement Program 1218LNCAS package

Prepared and submitted by:
Mark Divita, Airport Manager

Date: September 26, 2011

RESOLUTION NO. 2011-09-83

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LANCASTER, TEXAS, APPROVING FUNDING OF THE TEXAS DEPARTMENT OF TRANSPORTATION (TXDOT) 1218LNCAS PROJECT FOR 2012 THROUGH 2014 AT LANCASTER REGIONAL AIRPORT; AUTHORIZING THE CITY MANAGER TO EXECUTE SAID FUNDING AGREEMENT; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Lancaster intends to make certain improvements to the Lancaster Regional Airport; and

WHEREAS, the general description of the project is described as: design and engineering followed by construction of a new aircraft apron, stub taxiway, connecting taxilane, helicopter landing apron, fuel farm, parking lot, and associated service roads; and

WHEREAS, the City of Lancaster intends to request financial assistance from the Texas Department of Transportation for these improvements; and

WHEREAS, total project cost of the aprons and taxiways are estimated to be \$3,525,000, and the City of Lancaster will be responsible for 10% of the total project costs currently estimated to be \$352,500; and

WHEREAS, total project cost of the roads and parking lot are estimated to be \$235,000, and the City of Lancaster will be responsible for 50% of the total project costs currently estimated to be \$117,500; and

WHEREAS, total project cost of the fuel farm is estimated to be \$350,000, and the City of Lancaster will be responsible for 25% of the total project costs currently estimated to be \$87,500; and

WHEREAS, the City of Lancaster names the Texas Department of Transportation as its agent for the purposes of applying for, receiving and disbursing all funds for these improvements and for the administration of contracts necessary for the implementation of these improvements.

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

SECTION 1. That the City Manager may execute on behalf of the City of Lancaster, at the appropriate time, and with the appropriate authorizations of this governing body, all contracts and agreements with the State of Texas, represented by the Texas Department of Transportation, and such other parties as shall be necessary and appropriate for the implementation of the improvements to the Lancaster Regional Airport.

SECTION 2. This Resolution shall become effective immediately from and after its passage, as the law and charter in such cases provide.

DULY PASSED and approved by the City Council of the City of Lancaster, Texas, on this the ___ day of September 2011.

ATTEST:

APPROVED:

Dolle K. Downe, City Secretary

Marcus Knight, Mayor

APPROVED AS TO FORM:

Robert E. Hager, City Attorney

AVIATION CAPITAL IMPROVEMENT PROGRAM

Locations, Projects, and Costs

FEDERAL & STATE FY 2012

Federal FY 2012 (October 2011 - September 2012)/State FY 2012 (September 2011 - August 2012)

Texas Department of Transportation -- Aviation Division

August 02, 2011

City & Airport	Project Status & Description	Project Status:	Project Costs		
			Total	Federal	State Local
LANCASTER LANCASTER RGNL	Engineering/design for new TB Apron, stub taxiway, connecting taxiway, helicopter landing apron, fuel farm	PENDING	310,000	279,000	0 31,000
Project Totals:			\$ 310,000	\$ 279,000	\$ 0 \$ 31,000

AVIATION CAPITAL IMPROVEMENT PROGRAM

Locations, Projects, and Costs

FEDERAL & STATE FY 2014

Federal FY 2014 (October 2013 - September 2014)/State FY 2014 (September 2013 - August 2014)

Texas Department of Transportation - Aviation Division

August 02, 2011

City & Airport
LANCASTER

LANCASTER RGNL

Project Status:

PENDING

Project Status & Description	Project Costs		
	Total	Federal	State Local
- Install Self-Serve Fuel Farm	350,000	262,500	0 87,500
- Construct Fuel Farm Service Road	105,000	52,500	0 52,500
- Construct new connecting taxiway and apron stub (12,000 sy)	840,000	846,000	0 94,000
- Construct new TB auto parking w/entrance road (2000 sy)	130,000	65,000	0 65,000
Construct Helicopter Landing Apron (5500 sy)	445,000	400,500	0 44,500
Construct aircraft parking apron (11,000 s y)	930,000	837,000	0 93,000
Contingency, eng closeout, RPR, testing, etc	900,000	810,000	0 90,000
Project Totals:	\$ 3,800,000	\$ 3,273,500	\$ 0 \$ 528,500

FEDERAL

CFDA: 20.106

City of Lancaster
Lancaster Regional Airport
1218LNCAS

PROJECT IMPLEMENTATION MEETING

SPONSOR'S SHARE OF PROJECT FUNDS

Total design and construction project costs currently estimated to be \$4,110,000.

Total sponsor share including construction and design estimated to be \$557,500.

ENGINEERING/DESIGN INFORMATION

A separate grant for engineering design will be offered, 10% of estimated engineering design costs \$31,000 expected to be due by Jan/Feb 2012.

Total estimated design costs \$310,000.

Note: Sponsor will be billed 30 days in advance. Sponsor should have the above figures budgeted and encumbered by these dates. Sponsor will be apprised of all changes.

CONSTRUCTION INFORMATION

Sponsor share of construction costs estimated to be \$526,500

Total construction costs estimated to be \$3,800,000. This may change based on final design.

Fuel Farm is funded at 75/25.

The road is funded at 50/50.

The Sponsor share will be due prior to construction advertising - estimated to be Sept/ Oct 2013- this will depend on our federal funds availability.

Please be aware if federal funds are not available at the time your project is ready to advertise, we will not advertise this project until we have federal funds. This may possibly delay your project up to a year.

TxDOT will offer a 2nd grant for construction costs following completion of Commission approval and bid opening.

Construction bids received and opened locally.

TxDOT will execute construction contract.

Forms needed prior to submission for Texas Transportation Commission Approval due August 22, 2011:

Resolution (Sample enclosed)

Resolution should include the design and construction phases of the project. This resolution will be used for your total project.

Estimated Sponsor Share at this time is \$557,500 for total project cost.

Designation of Sponsor's Authorized Representative (form enclosed)

This is the person who will receive the agreement and all correspondence regarding this project.

Certification of Project Funds (form enclosed)

This certifies that funds will be available and when they will be available.

Attorney's Certificate of Property Interest and Exhibit A map.

This certificate shows the sponsor holds title or has controlling interest to the airport property.

Designation of Sponsor's Consultant Selection Committee (form enclosed) for design

This committee will be authorized to determine the selection criteria, review proposal of the candidate firms, conduct interviews, if necessary, and select a firm for award of the design contract, based on a consensus ranking by the committee members. Please be aware the decision of the selection committee will be FINAL unless some discrepancy is determined to have occurred in the selection process and can be documented.

OR

Designation of TxDOT for Consultant Selection (form enclosed)

Another option available to the sponsor is for TxDOT to act as your agent during consultant selection. In this option, TxDOT would follow the same criteria and format as we ask the sponsor, but the selection committee would consist of TxDOT –Aviation staff and a city or county person may also sit on the committee.

Copy of your most recent audited financial statement

TxDOT Aviation Division Public Hearing on September 22, 2011

Opportunity for sponsor and public comments on financial assistance grants.

Transportation Commission Approval requested on October 27, 2011

FEDERAL FUNDS AVAILABILITY

Federal fiscal year begins October 1, 2011 (FY2012). Federal funds are not available to be granted until after this date.

APPA (Airport Project Participation Agreement) OVERVIEW

Part I - ID of Project

Describes participants and project description.

Part II - Offer of Financial Assistance

Provides 90% federal and 10% local funding. Except the fuel farm and the road. During construction the fuel farm is funded at 75/25 and the road is funded at 50/50. NOTE: Engineering/Design services are offered under this grant agreement. The construction estimate is included in this agreement but a construction grant will not be issued until Commission approval and construction bid opening for that phase of the project.

A separate grant will be issued for Construction.

Part III - Sponsor Responsibilities

Statutorily driven for state/federal compliance

SPECIFIC GRANT CONDITIONS (Part III):

(Required by Statute & Administrative Code)

- * Sponsor will comply with the attachments (Certification of Airport Fund, and Airport Assurances required by the FAA.)
- * Sponsor will comply with applicable rules & regs
- * Facility shall be controlled for at least 20 years
- * Facility shall be operated in a safe manner
- * Public access without unjust discrimination shall be provided
- * No exclusive rights will be granted
- * **No Through – the- fence operations -It will not permit or enter into any arrangement that results in permission for the owner or tenant of a property used as a residence, or zoned for residential use, to taxi an aircraft between that property and any location on airport.**
- * All necessary land shall be acquired
- * When requested, statements of airport revenues & expenses shall be submitted. yearly audited financial statements should be submitted.
- * Sponsor shall operate such lighting at least at low intensity from sunset to sunrise
- * All fees collected shall be used for airport development & improvement

- * An airport fund shall be established for revenues collected and all expenditures from the airport fund shall be for airport purposes
- * any revenue from mineral rights be identified as airport revenue; deposited to the airport fund and used for airport operations
- * All development shall be consistent with approved ALP
- * Comprehensive zoning regulations shall be adopted
- * Recovery of funds spent fraudulently
- * No steel or manufactured products produced outside U.S. permitted
- * Sponsor must provide for continuous operation and maintenance of any navigational aid funded under the AIP during the useful life of the project

NOTE: Special Condition - Must have acceptable maintenance program either through the TxDOT sponsored RAMP or local maintenance program to be eligible for Capital Improvement Program grants.

Part IV - Nomination of Agent

TxDOT will act as full agent to insure compliance

Active involvement of sponsor encouraged

Duties performed as agent:

- * Handle entire consultant selection process including contract negotiations.
- * Execute all contracts for design and construction.
- * Advertise for bid.
- * Review and approve plans and specifications.
- * Pay all consultant and construction bills and invoices.
- * Supervise and direct all project work.
- * Participate in construction conferences.
- * Coordinate FAA review of ALP (airspace review).
- * Administer DBE/HUB Program

CERTIFICATIONS REQUIRED IN AGREEMENT:

Certification of Airport Fund

Certification of Drug-Free Workplace (federal only)

SCHEDULE SUMMARY for Federal funded projects	DATE DUE
Resolution and other forms must be submitted to Aviation Division	August 22, 2011
Public Hearing	September 22, 2011
Texas Transportation Commission Approval of Project	October 27, 2011
APPA sent to Sponsor for acceptance dependent upon federal funds	November 2011
APPA returned to Aviation Division as soon as possible but not later than 30 days from date of receipt.	Dec 2011
SCHEDULE FOR CONSULTANT SELECTION:	
Request for Proposals (RFPs) sent out	Nov 2011
RFP's submitted to Aviation Division	Nov 2011
RFP's sent to Sponsor Consultant Committee	Dec 2011
Sponsor Consultant Selection Committee reviews proposals to make selection or requests Aviation Division to set up interviews	Dec 2011
Interviews held if requested	Jan 2012
Aviation Division notifies consultants of results of selections and begins negotiations with selected consultant	Jan 2012
Consultant contract sent for acceptance after APPA is fully executed	Feb/March 2012
Design estimated to be completed in about 9 to 12 months. Commission approval required for construction phase of the project following design. Sponsor share for construction phase due prior to advertising for construction contractor.	To be scheduled with Aviation Project Manager and selected Consultant
Construction begins approximately 60 days following bid opening.	

AVIATION CONTACTS

Call 1-800-68-PILOT (687-4568) Aviation Division Staff
 Becky Vick, Grant Manager 512-416-4508; Becky.Vick@TXDOT.GOV
 Daniel Benson, Planner; 512-416-4536, Daniel.Benson@txdot.gov
 Harry Lorton, Project Manager; 512-416-4535; Harry.Lorton@txdot.gov
 Scott Bryan, Property Acquisition 512-416-4538, Scott.Bryan@Txdot.gov

LANCASTER CITY COUNCIL

Agenda Communication for
September 26, 2011

5

AG11-005

Conduct a public hearing and consider an Ordinance of the City of Lancaster, Texas, amending the Lancaster Development Code by amending Article 14.400, Section 14.402, subsection (c)(6), Community or Halfway House, for the purpose of removing reference to Community or Halfway Houses, adding the definition of “boarding home,” and requiring a Specific Use Permit for any said use in Multi-family residential zoning districts (MF-16); amending Article 14.400, Section 14.402, for the purpose of adding subsection (c)(11) to add the definition of “penal boarding home” and requiring a Specific Use Permit for any said use in Light Industrial (LI) and Medium Industrial (MI) zoning districts; amending Article 14.400, Section 14.401, Land Use Schedule, for the purpose of amending Table 1, Land Use Tables, to remove reference to “halfway house” and to reflect the requirement for Specific Use Permits for any Boarding Home use in Multi-family residential zoning districts (MF-16) and for any Penal Boarding Home use in Light Industrial (LI) and Medium Industrial (MI) districts; amending Article 14.1300, Section 14.1302, subsection (a), General Definitions, for the purpose of amending the definitions of “boarding house or lodging house” and “family” and adding the definition of “penal boarding home”; providing a repealing clause; providing a severability clause; providing a penalty of fine not to exceed two thousand dollars (\$2,000); and providing an effective date.

This request supports the City Council 2010-2011 Policy Agenda.

Goal 2: Quality Development

Background

Under the current city code, halfway houses are permitted by right in any single-family residentially zoned area. The only criterion that has to be met is to maintain the confines of a defined family, per the Lancaster Development Code (LDC), and not be within 1,000

feet of another halfway house. If the distance requirement is not met, the use could still be allowed with the approval of a Specific Use Permit.

The definition of family in the LDC is as follows:

One or more persons who are related by blood, adoption or marriage, living together and occupying a single housekeeping unit with single kitchen facilities, or a group of not more than five (excluding servants) living together by joint agreement and occupying a single housekeeping unit with single kitchen facilities, on a nonprofit, cost-sharing basis.

Considerations

- **Operational** - Because of the nature of halfway houses and the potential impacts they could have on surrounding residential communities, the land use was reviewed. Staff conferred with the City's Attorney and developed the following recommendations:
 1. Remove "halfway house/community house" as a use and establish "penal boarding home" as a use in the LDC to more appropriately identify the land use.
 2. Re-define "boarding home" and "family" as well as define "penal boarding home" in the LDC.
 3. Allow transitional housing-type uses in multi-family residential areas only.
 4. Require a Specific Use Permit for transitional housing-type uses.

Following are the proposed changes to the Lancaster Development Code:

AMENDMENT

Section 14.402 **Use Standards, Institutional and Community Service Use Conditions**, replace Community or Halfway House with:

(6) Boarding Home

- A. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation.
- B. Boarding Homes may only be located in Multi-family Residential Districts. "An SUP shall be required for any Boarding Home use."

Add the following use to Section 14.402:

(11) Penal Boarding Home

- A. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping,

money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation, and at least one of said persons have been released from imprisonment from any penal institution and are under the supervision of the Texas Department of Criminal Justice.

- B. "Released" and "Penal Institution," as used in subsection (a) herein, shall have the same meaning as those terms are defined in Article 62.001 of the Texas Code of Criminal Procedure, as amended.
- C. Penal Boarding Homes may only be located in Light Industrial (LI) and Medium Industrial (MI) zoning districts. An SUP shall be required for any Penal Boarding Home use."

AMENDMENT

Section 14.1302 Definitions, Define and re-define the following within the Lancaster Development Code;

Boarding Home. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation.

Family. One or more persons related by blood, marriage, or adoption; or a group not to exceed four (4) persons not all related by blood or marriage, adoption or guardianship, occupying a dwelling unit.

Penal Boarding Home. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, medication are provided to three (3) or more persons for compensation, and at least one of said persons have been released from imprisonment from any penal institution and are under the supervision of the Texas Department of Criminal Justice. The terms "released" and "penal institution," as used herein, shall have the same meaning as those terms are defined in Article 62.001 of the Texas Code of Criminal Procedure, as amended."

With these changes, a transitional housing type use (boarding home, halfway house, etc.) would be more accurately defined within the LDC. Also, transitional housing would no longer be allowed in single family residential communities. This would prevent the negative impacts certain types of transitional housing could potentially have in these environments.

- **Legal** - The City Attorney has prepared the ordinance.
- **Financial** - There are no financial considerations for this case.

- **Public Information** - The legal notice for this item was published Friday, August 19, 2011 in the Focus Daily News, in accordance with the requirements of the Lancaster Development Code. The first public hearing was held on Tuesday, September 6, 2011 at the regular meeting of the Planning and Zoning Commission. This is the second of the two public hearings required for this item.

Options/Alternatives

1. Approve the ordinance as presented.
2. Approve the ordinance with modifications.
3. Deny the ordinance and direct Staff.

Recommendation

At the September 6, 2011 meeting of the Planning and Zoning Commission, the Commission recommended unanimously (5 – 0) to **approve** the Ordinance as presented.

Staff recommends **approval** of the Ordinance as presented.

Attachments

- Ordinance
- Land-use Table from the LDC – Redlined
- Planning and Zoning Commission Agenda Communication/with attachments (September 6, 2011)
- Unapproved Planning and Zoning Commission Meeting Minutes Excerpt (September 6, 2011)

Prepared and submitted by:
Nathaniel Barnett, Senior Planner

Date: September 12, 2011

ORDINANCE NO. 2011-

AN ORDINANCE OF THE CITY OF LANCASTER, TEXAS, AMENDING THE LANCASTER DEVELOPMENT CODE BY AMENDING ARTICLE 14.400, SECTION 14.402, SUBSECTION (c)(6), COMMUNITY OR HALFWAY HOUSE, FOR THE PURPOSE OF REMOVING REFERENCE TO COMMUNITY OR HALFWAY HOUSES, ADDING THE DEFINITION OF "BOARDING HOME," AND REQUIRING A SPECIFIC USE PERMIT FOR ANY SAID USE IN MULTI-FAMILY RESIDENTIAL ZONING DISTRICTS (MF-16); AMENDING ARTICLE 14.400, SECTION 14.402, FOR THE PURPOSE OF ADDING SUBSECTION (c)(11) TO ADD THE DEFINITION OF "PENAL BOARDING HOME" AND REQUIRE A SPECIFIC USE PERMIT FOR ANY SAID USE IN LIGHT INDUSTRIAL (LI) AND MEDIUM INDUSTRIAL (MI) ZONING DISTRICTS; AMENDING ARTICLE 14.400, SECTION 14.401, LAND USE SCHEDULE, FOR THE PURPOSE OF AMENDING TABLE 1, LAND USE TABLES, TO REMOVE REFERENCE TO "HALFWAY HOUSE" AND TO REFLECT THE REQUIREMENT FOR SPECIFIC USE PERMITS FOR ANY BOARDING HOME USE IN MULTI-FAMILY RESIDENTIAL ZONING DISTRICTS (MF-16) AND FOR ANY PENAL BOARDING HOME USE IN LIGHT INDUSTRIAL (LI) AND MEDIUM INDUSTRIAL (MI) DISTRICTS; AMENDING ARTICLE 14.1300, SECTION 14.1302, SUBSECTION (a), GENERAL DEFINITIONS, FOR THE PURPOSE OF AMENDING THE DEFINITIONS OF "BOARDING HOUSE OR LODGING HOUSE" AND "FAMILY" AND ADDING THE DEFINITION OF "PENAL BOARDING HOME"; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A PENALTY OF FINE NOT TO EXCEED TWO THOUSAND DOLLARS (\$2,000); AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council for the City of Lancaster, Texas (hereinafter, the "City Council") has determined that it is in the best interest of the City to amend Article 14.400, Section 14.402, Subsection (c)(6), Community or Halfway House, for the purpose of removing the reference to "Community or Halfway House," adding the definition of "Boarding Home," and requiring a specific use permit for any said use in multi-family residential zoning districts (MF-16);

WHEREAS, the City Council for the City of Lancaster, Texas (hereinafter, the "City Council") has determined that it is in the best interest of the City to amend Article 14.400, Section 14.402, for the purpose of adding Subsection (c)(11) to add the definition of "Penal Boarding Home" and require a specific use permit for any said use light industrial (LI) and medium industrial (MI) zoning districts;

WHEREAS, the City Council has determined that it is in the best interest of the City to amend Article 14.400, Section 14.401, Land Use Schedule, for the purpose of amending Table 1, Land Use Tables, to remove reference to “Halfway Houses” and to reflect the requirement for specific use permits for any Boarding Home use in multi-family residential zoning districts (MF-16) for any Penal Boarding Home in light industrial (LI) and medium industrial (MI) zoning districts;

WHEREAS, City Council has determined that it is in the best interest of the City to amend Article 14.1300, Section 14.1302, Subsection (a), General Definitions, for the purpose of amending the definitions of “Boarding House or Lodging House” and “Family” and adding the definition of “Penal Boarding Home.”

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

Section 1. Article 14.400, Section 14.402, Subsection (c)(6), Community or Halfway House, of the Lancaster Development Code, be and the same is hereby amended by removing all references to “Community or Halfway House,” and to read as follows:

“ARTICLE 14.400 PERMISSIBLE USES

Sec. 14.402 Use Standards

[...]

(c) Institutional and Community Service Use Conditions

[...]

(6) Boarding Home

- A. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation.
- B. Boarding Homes may only be located in Multi-family Residential Districts. An SUP shall be required for any Boarding Home use.”

Section 2. Article 14.400, Section 14.402 be and the same is hereby amended by adding Subsection (c)(11), to read as follows:

“ARTICLE 14.400 PERMISSIBLE USES

Sec. 14.402 Use Standards

[...]

(d) Institutional and Community Service Use Conditions

[...]

(11) Penal Boarding Home

- C. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation, and at least one of said persons have been released from imprisonment from any penal institution and are under the supervision of the Texas Department of Criminal Justice.
- D. “Released” and “Penal Institution,” as used in subsection (a) herein, shall have the same meaning as those terms are defined in Article 62.001 of the Texas Code of Criminal Procedure, as amended.
- E. Penal Boarding Homes may only be located in Light Industrial (LI) and Medium Industrial (MI) zoning districts. An SUP shall be required for any Penal Boarding Home use.”

Section 3. Article 14.400, Section 14.401, Land Use Schedule, Table 1, Land Use Tables, of the Lancaster Development Code be and the same is hereby amended by removing all references to “Halfway House” and reflecting the requirement for Specific Use Permits for any Boarding Home use in Multi-Family Residential Zoning Districts (MF-16) and for any Penal Boarding Home in light industrial (LI) and medium industrial (MI) zoning districts, as shown in the chart attached hereto as Exhibit A” and incorporated herein.

Section 4. Article 14.1300, Section 14.1302, Subsection (a), General Definitions, of the Lancaster Development Code, be and the same is hereby amended by revising the definitions of “Boarding House or Lodging House” and “Family” and by adding the definition of “Penal Boarding Home,” to read as follows:

“ARTICLE 14.1300 DEFINITIONS

Sec. 14.1302 Definitions

(a) General Definitions:

[...]

Boarding Home. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation.

[...]

Family. One or more persons related by blood, marriage, or adoption; or a group not to exceed four (4) persons not all related by blood or marriage, adoption or guardianship, occupying a dwelling unit.

Penal Boarding Home. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation, and at least one of said persons have been released from imprisonment from any penal institution and are under the supervision of the Texas Department of Criminal Justice. The terms “released” and “penal institution,” as used herein, shall have the same meaning as those terms are defined in Article 62.001 of the Texas Code of Criminal Procedure, as amended.”

Section 5. That all provisions of this Ordinance of the City of Lancaster, Texas, in conflict with the provisions of this ordinance are, and the same are hereby amended, repealed and all other provisions of the Ordinance of the City not in conflict with the provisions of this ordinance shall remain in full force and effect.

Section 6. If any article paragraph or subdivision clause or provision of this ordinance shall be adjudged invalid or held unconstitutional the same shall not affect the validity of this Ordinance as a whole or any provision thereof other than the part so decided invalid or unconstitutional.

Section 7. Any person or firm or corporation violating any of the provisions of this ordinance or the provisions of the Code of Ordinances of the City of Lancaster, Texas, as amended hereby, shall be deemed guilty of a misdemeanor and, upon conviction in the municipal court of the City of Lancaster, Texas shall be subject to a fine no to exceed the sum amount of two thousand (\$2,000) dollars for each offense, and each and every such offense shall continue shall be deemed to constitute a separate offense.

Section 8. This Ordinance shall take effect immediately from and after the publication of its caption as the law in such cases provides.

DULY PASSED by the City Council of the City of Lancaster, Texas, on the 26th day of September 2011.

APPROVED:

MARCUS E. KNIGHT, MAYOR

ATTEST:

DOLLE K. DOWNE, CITY SECRETARY

APPROVED AS TO FORM:

ROBERT E. HAGER, CITY ATTORNEY
(JVP)

EXHIBIT A TO ORDINANCE NO. 2011-_____

LAND USE CHART FOR BOARDING HOME AND PENAL BOARDING HOME

[To Be Attached]

"+" = Permitted with Conditions

A = Accessory Use S = SUP

P = Permitted

Agric.	Residential										Permitted Uses						Commercial						Industrial			
	SF-E	SF-4	SF-6	SF-6	ZL-7	ZF-6	TH-16	MF-16	MH	2.1.3 Institutional & Community Service	NS	R	CH	CS	TC	ORT	LJ	MI								
								P		2.1.3 Institutional & Community Service Assisted Living Facility +	S	P		P												
								S		Blood Plasma Donor Center Boarding Home							P	P								
										Child Care Center																
										Church/House of Worship +	P	P	P	P												
										College, University, or Seminary																
										Convescent Care Facility/Nursing Home +	P	P	P	P												
S	S	S	S	S	S	S	S	S	S	Day Care (7 or More Children)+	P	P	P	P		A	S	S								
										Emergency Ambulans Services, Ground																
P	P	P	P	P	P	P	P	P	P	Group or Community Home+	P	P														
										Government Facility																
										Halfway House+																
								S		Hospice	P	P	P	P												
										Hospital																
										Library, Art Gallery or Museum (Public)	P	P	P	P												
										Mortuary or Funeral Chapel																
										Penal Boarding Home																
										Post Office, Local Service	P	P	P	P												
										Post Office, Regional																
										Prison/Custodial Institution																
S	S	S	S	S	S	S	S	S	S	Public or Private School, Primary +	P	P	P	P												
S	S	S	S	S	S	S	S	S	S	Public or Private School, Secondary +	P	P	P	P												
S	S	S	S	S	S	S	S	S	S	Public or Private School, Senior +	S	P	P	P												
										Rescue Mission or Shelter for the Homeless																
										Social Service Provider, except Rescue Mission or Homeless Shelter		S	P													
P	P	P	P	P	P	P	P	P	P	Temporary Educational Building +	P	P	P	P												

PLANNING & ZONING COMMISSION

Agenda Communication for
September 6, 2011

#4

M11-07 Conduct a Public Hearing and Consider an ordinance of the City of Lancaster, Texas, amending the Lancaster Development Code by amending Article 14.400, section 14.402, subsection (c)(6), Community or Halfway House, for the purpose of removing reference to Community or Halfway Houses, adding the definition of "boarding home," and requiring a Specific Use Permit for any said use in Multi-family residential zoning districts (MF-16); amending Article 14.400, section 14.402, for the purpose of adding subsection (c)(11) to add the definition of "penal boarding home" and require a Specific Use Permit for any said use in Light Industrial (LI) and Medium Industrial (MI) zoning districts; amending Article 14.400, section 14.401, Land Use Schedule, for the purpose of amending Table 1, Land Use Tables, to remove reference to "halfway house" and to reflect the requirement for Specific Use Permits for any Boarding Home use in Multi-family residential zoning districts (MF-16) and for any Penal Boarding Home use in Light Industrial (LI) and Medium Industrial (MI) districts; amending Article 14.1300, section 14.1302, subsection (a), General Definitions, for the purpose of amending the definitions of "boarding house or lodging house" and "family" and adding the definition of "penal boarding home".

Background

Under the current city code, halfway houses are permitted by right in any single-family residentially zoned area. The only criteria that had to be met were to maintain the confines of a defined family, per the Lancaster Development Code (LDC), and not be within 1,000 feet of another halfway house. If the distance requirement was not met, the use would still be allowed however a Specific Use Permit would have been required. The definition of family in the LDC is as follows:

One or more persons who are related by blood, adoption or marriage, living together and occupying a single housekeeping unit with single kitchen facilities, or a group of not more than five (excluding servants) living together by joint agreement and occupying a single housekeeping unit with single kitchen facilities, on a nonprofit, cost-sharing basis.

Because of the nature of halfway houses and the potential impacts they could have on residential communities, Staff was instructed to address this issue to determine the appropriateness of this land use. Staff conferred with the City Attorneys and developed the following recommendations:

1. Remove "halfway house/community house" as a use and establish "penal boarding home" as a use in the LDC.
2. Re-define "boarding home" and "family" and define "penal boarding home" in the LDC.
3. Allow transitional housing-type uses in multi-family residential areas only.
4. Require a Specific Use Permit for transitional housing-type uses.

Following are the proposed changes to the Lancaster Development Code:

AMENDMENT

Section 14.402 Use Standards, Institutional and Community Service Use Conditions, replace Community or Halfway House with;

(6) Boarding Home

- A. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation.
- B. Boarding Homes may only be located in Multi-family Residential Districts. An SUP shall be required for any Boarding Home use."

Add the following use to Section 14.402;

(11) Penal Boarding Home

- A. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation, and at least one of said persons have been released from imprisonment from any penal institution and are under the supervision of the Texas Department of Criminal Justice.
- B. "Released" and "Penal Institution," as used in subsection (a) herein, shall have the same meaning as those terms are defined in Article 62.001 of the Texas Code of Criminal Procedure, as amended.
- C. Penal Boarding Homes may only be located in Light Industrial (LI) and Medium Industrial (MI) zoning districts. An SUP shall be required for any Penal Boarding Home use."

AMENDMENT

Section 14.1302 **Definitions**, Define and re-define the following within the Lancaster Development Code;

Boarding Home. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation.

Family. One or more persons related by blood, marriage, or adoption; or a group not to exceed four (4) persons not all related by blood or marriage, adoption or guardianship, occupying a dwelling unit.

Penal Boarding Home. A dwelling unit, other than a hotel or motel, where lodging and community meals, light housework, meal preparation, transportation, grocery shopping, money management, laundry services, or assistance with self-medication are provided to three (3) or more persons for compensation, and at least one of said persons have been released from imprisonment from any penal institution and are under the supervision of the Texas Department of Criminal Justice. The terms "released" and "penal institution," as used herein, shall have the same meaning as those terms are defined in Article 62.001 of the Texas Code of Criminal Procedure, as amended."

Considerations

- **Legal Considerations**
The City Attorney has reviewed the changes to the Halfway House amendments.
- **Public Information**
On Friday, August 19, 2011 a Public Hearing notice appeared in the Focus Daily News, the City of Lancaster's newspaper of record. The Lancaster Development Code (LDC) requires two public hearings and legal notification in the City's newspaper of the record to approve a text amendment. This is the first of the two public hearings; the second being at City Council on September 26, 2011.

Options/Alternatives

- 1) Recommend approval, as requested.
- 2) Recommend approval in accordance with modifications and said modifications shall be stipulations of approval.
- 3) Postpone consideration.
- 4) Recommend denial of the request.

Recommendation

Staff recommends approval of the changes to Lancaster Development Code in reference to Halfway Houses and the definitions being proposed.

Approval Process

Upon recommendation by the Planning and Zoning Commission, the City Council will conduct a public hearing and render a final decision for this item at their September 26, 2011, regular meeting.

Attachments

- Land-use Table from the LDC – Redlined
- Excerpts from the LDC

Prepared and Submitted by:

Nathaniel Barnett
Senior Planner

Date: September 1, 2011

** = Permitted with Conditions

A = Accessory Use S = SUP

P = Permitted

Agric.	Residential										Permitted Uses							Commercial					Industrial		
	SF-E	SF-4	SF-5	SF-6	ZL-7	2F-8	TH-16	MF-16	IMH	2.1.3 Institutional & Community Service	NS	R	CH	CS	TC	ORT	LJ	IM							
								P		2.1.3 Institutional & Community Service Assisted Living Facility +	S	P	P	P											
								S		Boarding Home Blood Plasma Donor Center															
										Child Care Center															
										Church/House of Worship + College, University, or Seminary	P	P	P	P											
										Convolvescent Care Facility/Nursing Home +	P	P	P	S											
\$	S	S	S	S	S	S	S	S	S	Day Care (7 or More Children)+	P	P	P	P	A	S	S	S							
										Emergency Ambulance Services, Ground Group or Community Home+	P	P	P	P											
P	P	P	P	P	P	P	P	P	P	Government Facility	P	P	P	P											
										Halfway House+															
										Hospice	P	P	P	P	S	S	S	S							
										Hospital		P	P	P	P	P	S	S							
										Library, Art Gallery or Museum (Public)	P	P	P	P	P	P	P	P							
										Mortuary or Funeral Chapel		P	P	P	S										
										Penal Boarding Home								P							
										Post Office, Local Service	P	P	P	P	P	P	P	P							
										Post Office, Regional					S	P	P	P							
										Prison/Custodial Institution															
S	S	S	S	S	S	S	S	S	S	Public or Private School, Primary +	P	P	P	P											
S	S	S	S	S	S	S	S	S	S	Public or Private School, Secondary +	P	P	P	P											
S	S	S	S	S	S	S	S	S	S	Public or Private School, Senior +	S	P	P	P	S	S	S	S							
										Rescue Mission or Shelter for the Homeless															
										Social Service Provider, except Rescue Mission or Homeless Shelter		S	P												
P	P	P	P	P	P	P	P	P	P	Temporary Educational Building +	P	P	P	P	P	P	P	P							

1. The Texas Department of Mental Health and Metal Retardation (MHMR);
 2. A community center organized under Subchapter A, Chapter 534, Health and Safety Code, that provides services to persons with disabilities;
 3. An entity subject to the Texas Non-Profit Corporation Act; or
 4. An entity certified by the Texas Department of Human Services as a provider under the medical assistance program service persons in intermediate care facilities for persons with mental retardation; or
 5. An entity operating an assisted living facility licensed under Chapter 247, Health and Safety Code.
- C. When the facility is located within a single-family or duplex residential zoning district,
1. The exterior structure must retain compatibility with the surrounding residential dwellings, and
 2. Not more than six (6) persons with disabilities and two (2) supervisors may reside in the facility at the same time. The limitation on the number of persons with disabilities applies regardless of the legal relationship of those persons to one another.
- D. A community or group home may not be established within one-half (½) mile of an existing community or group home unless a Specific Use Permit is approved by the City Council.
- E. The residents of a community or group home may not keep for the use of the residents of the home, either on the premises or on a public right-of-way adjacent to the home, motor vehicles in numbers that exceed the number of bedrooms in the home.

(6) Community or Halfway House

- A. A place where persons are aided in readjusting to society following a period of imprisonment, hospitalization, or institutionalized treatment.
- B. Such facilities may be located no closer than within a 1,000-foot radius to another halfway house (as measured from building to building). An SUP shall be required for any facility located closer than 1,000 feet.
- C. Such facilities shall be licensed.

(7) Public or Private School, Primary

- A. Must be located on a collector or larger roadway unless otherwise approved by the Director.
- B. Must provide adequate drop-off areas so as not to unnecessarily impede street traffic.

alignment; tune-ups, emergency road service; replacement of starters, alternators, hoses, brake parts, mufflers; performing state inspections and making minor repairs necessary to pass said inspection; servicing of air-conditioning systems, and similar minor services for motor vehicles except heavy load vehicles, but not including any operation named under "Automobile Repair, Major" or any other similar use. All work must be performed inside an enclosed building. Vehicles shall not be stored on site for longer than 14 days.

Bar, Cocktail Lounge, Tavern, Saloon, Cantina. An establishment where alcoholic beverages are sold for on-premises consumption, other than a restaurant as defined in this Section.

Basement or Cellar. A story having more than one-half (1/2) of its height below the average level of the adjoining ground. A cellar shall not be counted as a story for the purposes of height measurement.

Bed and Breakfast. A single family owner-occupied house offering rooms with breakfast on a nightly basis for a fee.

Block. A piece or parcel of land entirely surrounded by public highways or streets, other than alleys. In cases where the platting is incomplete or disconnected, the Building Official shall determine the outline of the block.

Board. The Board of Adjustment of the City.

Boarding House or Lodging House. A building other than a hotel, occupied as a single housekeeping unit, where lodging or meals are provided for five or more persons for compensation, pursuant to previous arrangements, but not for the public or transients.

Buffer. A visual screen constructed of wood, concrete block, masonry, or landscape material including earthen berms in such a manner that adjacent property will be screened from the use contemplated, so noise, solid waste, or other objectionable influences will be avoided. Such buffer shall be horizontal to the ground, opaque, and a minimum of six (6) feet in height.

Building. An enclosed structure, anchored to permanent foundation, and having exterior or party walls and a roof, designed for the shelter of persons, animals, or property. When divided by other than common or contiguous walls, each portion or Section of such building shall be regarded as a separate building, except that two buildings connected by a breeze way shall be deemed as one building. Parking structures shall not be considered as buildings when calculating building coverage.

Buildable Area. The "buildable area" of the lot is the maximum amount of allowable space upon which a structure or building may be erected, after meeting the coverage, yard and other requirements of this Ordinance.

Building Area. The building area of the lot is the gross area covered by the structures when placed on the lot.

Building Coverage. Percentage of the lot that is occupied by the building area. Parking structures shall not be included in the calculations for coverage requirements.

f. The determination of whether one family is living independently of another is based on one or more of the following criteria:

- 1) Separate sanitary facilities.
- 2) Separate kitchen facilities.
- 3) Separate entrances.
- 4) Separate utilities.

Empty Nester Unit. A residential unit type that is targeted to singles, empty nesters and retirees, which generally requires a minimum of maintenance and is smaller than typical single family homes. (See Article V.3.1.a.1)

Exception. Relief from or variation of the provisions of these regulations, other than Use Regulations, as applied to a specific piece of property, as distinct from a Variance or rezoning, which may be granted by the Director, the Planning and Zoning Commission or the City Council as specified in this Unified Development Code. (See "Variance" and "Temporary Waiver".)

Family One (1) or more persons who are related by blood, adoption or marriage, living together and occupying a single housekeeping unit with single kitchen facilities, or a group of not more than five (5) (excluding servants) living together by joint agreement and occupying a single housekeeping unit with single kitchen facilities, on a nonprofit, cost-sharing basis.

Filling, Retail Service Station. An establishment where gasoline, oil and grease, or automobile accessories are sold, supplied or dispensed to the vehicle trade or where motor vehicles received limited repair, are equipped for service, or where electric storage batteries are recharged and cared for, or a place where any two or more such activities are carried on or conducted as the principal use of the establishment. (The storage, sale, lease, or rental of more than one [1] boat or mobile home, or more than five [5] hauling trailers is prohibited.)

Floor Area Ratio. The relationship of the gross floor area of all buildings on a lot to the total lot area. Parking structures shall be excluded in the calculation of the floor area ratio.

Frontage. All the property abutting on one (1) side of a street between two (2) intersecting streets, measured along the street line.

Garage Apartment. A dwelling unit attached to a private garage.

Garage, Community. A building or portion thereof, other than a public, private or storage garage as defined below, providing storage for motor vehicles with facilities for washing, but no other services, such garage to be in lieu of private garages within a block or portion of a block.

Garage, Commercial. A commercial garage is any premises and structures used for housing more than three (3) motor driven vehicles or where any vehicles are kept for remuneration, hire, or sale and where a retail service station may be maintained as a secondary use.

Garage, Detached or Private. An accessory building for storage only of motor vehicles and home laundry.

Garage, Public. A building or portion thereof, designed or used for the storage, sale, hiring, care or repair of motor vehicles, which is operated for commercial purposes.

Unapproved Minutes from the Planning and Zoning Meeting, September 6, 2011

4. **M11-07** Conduct a Public Hearing and consider an ordinance of the city of Lancaster, Texas, amending the Lancaster Development Code by amending Article 14.400, section 14.402, subsection (c)(6), Community or Halfway House, for the purpose of removing reference to Community or Halfway Houses, adding the definition of "boarding home," and requiring a Specific Use Permit for any said use in Multi-family residential zoning districts (MF-16); amending Article 14.400, section 14.402, for the purpose of adding subsection (c)(11) to add the definition of "penal boarding home" and require a Specific Use Permit for any said use in Light Industrial (LI) and Medium Industrial (MI) zoning districts; amending Article 14.400, section 14.401, Land Use Schedule, for the purpose of amending Table 1, Land Use Tables, to remove reference to "halfway house" and to reflect the requirement for Specific Use Permits for any boarding home use in Multi-family residential zoning districts (MF-16) and for any penal boarding home use in Light Industrial (LI) and Medium Industrial (MI) districts; amending Article 14.1300, section 14.1302, subsection (a), general definitions, for the purpose of amending the definitions of "boarding house or lodging house" and "family" and adding the definition of "penal boarding home".

Senior Planner Barnett gave a presentation stating why the request was being made and how it would reduce the potential negative impacts of halfway houses on residential communities. By amending these sections of the Ordinance, greater control would be given to the City to regulate a land use that could be detrimental. This amendment would re-define family and boarding home as well as define a new land use, penal boarding home, in the Lancaster Development Code. City Attorney Pandya explained that a use cannot be zoned out of the City but they could control where these uses are allowed.

Chair Colton opened the public hearing.

IN FAVOR:

None

OPPOSED:

None

Chair Colton entertained a motion to close the public hearing.

COMMISSIONER PROTHRO MADE A MOTION TO CLOSE THE PUBLIC HEARING, SECONDED BY COMMISSIONER WRIGHT.

AYES: COLTON, ELKINS, MITCHELL, PROTHRO, WRIGHT

NAYES:

THE MOTION CARRIED 5-0.

Commissioner Wright asked if any existing halfway houses would have to change or would they be allowed to stay. Senior Planner Barnett stated that they would be grandfathered and any new ones would have to comply by the new

rules. Senior Planner Barnett added that there are no current halfway houses with a certificate of occupancy in the City.

Chair Colton entertained a motion.

COMMISSIONER ELKINS MADE A MOTION TO APPROVE M11-07, SECONDED BY COMMISSIONER WRIGHT.

AYES: COLTON, ELKINS, MITCHELL, PROTHRO, WRIGHT

NAYES:

THE MOTION CARRIED 5-0.

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LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

6

AG11-006

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 2011; And containing other matters incident thereto.

**This request supports the City Council 2010-2011 Policy Agenda
Goal 1: Financially Sustainable City Government
Goal 2: Enhanced City Infrastructure and Facilities**

Background

During the 2010 Texas Commission on Environmental Quality (TCEQ) water system inspection, it was noted that we failed to meet elevated storage tank requirements in relation to our current service connections. The prior inspection performed by TCEQ was in 2006. During the years of 2006 through 2009, the City of Lancaster experienced extreme growth adding approximately 3,000 additional connections to our existing system. In doing so, this put our system in violation of the TCEQ's Minimum Water System Capacity Requirements. The requirement states there must be an elevated storage capacity of 100 gallons per connection for each pressure plane. Our system failed for the Upper Pressure Plane. The system has 1.0 million gallons (MG) elevated storage tank capacity. The system is required to provide at least 1.178 MG of elevated storage tank capacity based on the number of connections on the day of the investigation (11,782 connections X 100 = 1.178MG).

In 2007, the City of Lancaster adopted a Water Master Plan which identifies the need to build an elevated storage tank. Funding the Master Plan has been challenging. Based on the violation issued, the City must construct the required elevated storage tank capacity to provide 100 gallons per connection in the Upper Pressure Plane. The project must be completed and functional by October, 2013. In an effort to meet the required timeline, staff contacted First Southwest to begin the process for obtaining funding.

On August 22, 2011, City Council passed the resolution authorizing the Notice of Intent Publication for Certificates of Obligation. The first and second publication occurred on August 26, 2011 and September 2, 2011. Staff met with the bonding agencies thereafter and on September 14, 2011 received a rating of "Aa3" from Moody's and "A" from Standard & Poor's. The next step is to approve an ordinance authorizing the City to issue Certificate of Obligation Bonds.

Considerations

- **Operational** – Approving this ordinance authorizes the City to issue Certificate of Obligation bonds to raise the capital needed for the purchase of the land, design and construction of the storage tank, and any related costs for the water/wastewater system project.
- **Legal** - The draft ordinance has been prepared by our bond council, West & Associates, LLP.
- **Financial** – The bond sale is required to fulfill obligations and commitments of the City for the Water/Waste Water project. 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. The first debt and interest payment related to this issuance is due August 15, 2012. These costs have been budgeted for FY 2011/12.

Recommendation

Staff recommends approval of the draft ordinance authorizing the issuance of City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011.

Attachments

- Draft Ordinance
- Notice of Sale and Bidding Instructions
- Preliminary Official Statement

Prepared and submitted by:
Sheree Haynes, Finance Director

Date: September 14, 2011

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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 2011; 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 (1) 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; (a) expanding and improving the water and wastewater system; (b) design, construction and the equipping thereof of an elevated storage tank, including drainage improvements incidental thereto, and the acquisition of land and rights-of-way in connection therewith, to be located in the 792 Pressure Plane as described in the City's Water Master Plan which is available for public inspection at City Hall; (c) construction, improvements and replacement of certain waterlines throughout the city, including the Martin Berry Waterline, the 3rd Street Water Line and the Lexington Waterline; (d) certain water and sewer design, construction, renovation, and improvements within the City, and the equipping thereof, including the Keller Branch interceptor; and (2) payment for 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, Taxable Series 2011 (the "Certificates") to the effect that the City Council was tentatively scheduled to meet at 7:00 p.m. on September 26, 2011 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.

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(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 August 22, 2011 at its regular meeting place.

(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.

“Business Day” shall mean a day that is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close.

“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 2011, authorized by this Ordinance.

“City” shall mean the City of Lancaster, Texas.

“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.

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“Construction Fund” shall mean the fund by that name created pursuant to Section 5.3 hereof.

“Date of Delivery” shall mean October 26, 2011, or at such other time and date as shall have been mutually agreed upon by the City and the Purchaser for closing.

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

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

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

“EMMA” means the Electronic Municipal Market Access System.

“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.

“Initial Certificate” means a single certificate representing the entire principal amount of the Certificates, payable in stated installments to the Purchaser or its designee, executed by manual or facsimile signature of the President and Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller, shall be delivered to the Purchaser or its designee. Upon payment for the Initial Certificate, the Registrar shall cancel the Initial Certificate and definitive Certificates shall be delivered to the Purchaser.

“Interest Payment Date,” when used in connection with any Certificate, shall mean February 15 and August 15 of each year, commencing August 15, 2012 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 Purchaser.

“MSRB” means the Municipal Securities Rulemaking Board.

“Ordinance” as used herein and in the Certificates shall mean this ordinance and all amendments hereof and supplements hereto which authorize the issuance of the Certificates.

“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

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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 of paying agent and registrar of the Certificates.

“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.

“Purchasers” or “Purchaser” shall mean the initial purchaser(s) of the certificates, including _____.

“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.

“Rule” means SEC Rule 15c2-12.

“SEC” means the United States Securities Exchange Commission.

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

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. 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 _____ MILLION AND NO/100 DOLLARS (\$ _____) for the purpose of providing all or part of the funds to pay contractual obligations

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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 2011”, and shall be dated September 15, 2011. The Certificates shall bear interest at the rates set forth in Section 3.3 below, from the later of the Date of Delivery 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 February 15 and August 15 of each year, commencing August 15, 2012 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 August 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>	<u>Certificate Number</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-1	2012	\$300,000	%	R-11	2022	\$370,000	%
R-2	2013	\$280,000	%	R-12	2023	\$385,000	%
R-3	2014	\$285,000	%	R-13	2024	\$400,000	%
R-4	2015	\$295,000	%	R-14	2025	\$415,000	%
R-5	2016	\$300,000	%	R-15	2026	\$430,000	%
R-6	2017	\$310,000	%	R-16	2027	\$450,000	%
R-7	2018	\$320,000	%	R-17	2028	\$470,000	%
R-8	2019	\$330,000	%	R-18	2029	\$495,000	%
R-9	2020	\$340,000	%	R-19	2030	\$515,000	%
R-10	2021	\$355,000	%	R-20	2031	\$540,000	%

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Section 3.4: Redemption Prior to Maturity. The Certificates maturing on and after August 15, 2022 are subject to redemption prior to maturity, at the option of the City, in whole or in part, on August 15, 2021, or any date thereafter, at par plus accrued interest to the date fixed for redemption.

The Certificates maturing on _____, _____ and _____ (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>
Term Certificates Maturing August 15, 20__	August 15, 20__	\$ _____
	August 15, 20__	\$ _____
	August 15, 20__ (maturity)	\$ _____
Term Certificates Maturing August 15, 20__	August 15, 20__	\$ _____
	August 15, 20__	\$ _____
	August 15, 20__ (maturity)	\$ _____

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

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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: Reserved

Section 3.6: 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 3.7: 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 3.8: 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 3.9: 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.

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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.

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Certificate.

Section 3.10: Book-Entry Only System. The Initial Certificate shall be registered in the name of _____. The definitive Certificates shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.13 hereof, all of the Outstanding Certificates 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.

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With respect to Certificates 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 Certificates. 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 Certificates, (b) the delivery to any DTC Participant or any other person, other than a Certificateholder, as shown on the Register, of any notice with respect to the Certificates, including any notice of redemption or (c) the payment to any DTC Participant or any other person, other than a Certificateholder as shown in the Register, of any amount with respect to principal of Certificates, premium, if any, or interest on the Certificates.

Except as provided in Section 3.13 of this Ordinance, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Register as the absolute owner of such Certificate for the purpose of payment of principal of, premium, if any, and interest on Certificates, for the purpose of giving notices of redemption and other matters with respect to such Certificate, for the purpose of registering transfer with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of Certificates, premium, if any, and interest on the Certificates 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 Certificates to the extent of the sum or sums so paid. No person other than an owner shall receive a Certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance.

Section 3.11: Payments and Notices to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, as long as any Certificates 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 Certificates, and all notices with respect to such Certificates shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

Section 3.12: Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC, and that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, 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 Certificates to such successor securities depository or (b) notify DTC of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates 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

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Certificateholders transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

Section 3.13: 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.

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Section 3.14: 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, 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 (as defined below) 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 2011, 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: Construction Fund. The Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011, 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 Certificates 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 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 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.

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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 commercial bank or trust company, organized under the laws of the United States or any state and duly qualified and legally

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authorized to serve as and perform the duties and services of 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 and delivery of the Certificates to the Purchaser is hereby authorized, approved, ratified and confirmed, subject to the approving opinion as to the legality of the Certificates of the Attorney General of the State of Texas and West & Associates, L.L.P., Bond Counsel, and it is hereby determined that the Purchaser's bid is the highest bid for the Certificates as a result of invitations for competitive bids.

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 Certificate 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 Certificates 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 ratifies and confirms its prior approval of the form, contents and dissemination of the Preliminary Official Statement and the Notice of Sale and Bidding Instructions prepared in the initial offering and sale of the Certificates. The City hereby authorizes the preparation of a final Official Statement, relating to the Certificates, dated as of the date hereof, which reflects the terms of the Purchaser's bid and other relevant information, and the City ratifies and approves the distribution of such Official Statement in the offer and sale of the Certificates and in the reoffering of the Certificates by the Purchaser, 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

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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 SEC. The proper officials of the City are hereby authorized to execute and deliver a certificate pertaining to the final Official Statement as prescribed, therein, dated as of the date of payment for and delivery of the Certificates. A copy of the Preliminary Official Statement is attached hereto as **Exhibit C**.

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 Ratings Services, a 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:

- (a) Accrued interest in the amount of \$_____, shall be deposited into the Debt Service Fund created in Section 5.2 of this Ordinance.
- (b) Premium on the Certificates in the amount of \$_____, shall be used to pay costs of issuance, which includes the Purchaser’s discount (\$_____). Excess premium of \$_____ shall be deposited in the Debt Service Fund.
- (c) Certificate proceeds in the amount of \$_____ shall be deposited in the Construction Fund created in Section 5.3 and used for the purposes described in Section 3.1 of this Ordinance. Any proceeds remaining after accomplishing such purposes, including earnings on investments of such proceeds, shall be deposited into the Debt Service Fund.

Section 7.5: Tax Covenants. The City shall comply with each of the following covenants:

(a) The City will use all of the proceeds of the Certificates to (i) provide funds to pay contractual obligations to be incurred for the purposes set forth in Section 3.1 hereof (the “Project”), which Project will be owned and operated by the City, and (ii) to pay the costs of issuing the Certificates. The City will not use any portion of the proceeds of the Certificates to pay the principal of or interest or redemption premium on, any other obligation of the City or a related person.

(b) The City will not directly or indirectly take any action, or omit to take any action, which action or omission would cause the Certificates to constitute “private activity bonds” within the meaning of Section 141(a) of the Code.

(c) Principal of and interest on the Certificates will be paid solely from ad valorem taxes and Net Revenues collected by the City, investment earnings on such collections, and as available, proceeds of the Certificates.

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(d) Based upon all 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 will not be used in a manner that would cause the Certificates or any portion thereof to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(e) 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.

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

(g) The City represents that not more than fifty percent (50%) of the proceeds of the Certificates will be invested in nonpurpose investments (as defined in Section 148(f)(6)(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 expects that at least eighty-five percent (85%) of the spendable proceeds of the Certificates will be used to carry out the governmental purpose of the Certificates within the three-year period beginning on the date of issue of the Certificates.

(h) 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 any 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, interest thereon and any penalty.



(i) The City will not directly or 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 a 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 Certificates not been relevant to either party.

(j) 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.

(k) The City will not issue or use the Certificates as part of an “abusive arbitrage device” (as defined in Section 1.14810(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.

(l) 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 date of issuance of the Certificates and stating whether there are facts, estimates or circumstances that would materially change the City's expectations. On or after the date of issuance of the Certificates, the City will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(m) 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 holders 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 of the owners thereof 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 7.5 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 thereof for federal income tax purposes.

Section 7.6: Reserved.

Section 7.7: 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

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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.

(a) 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 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 Official Statement authorized by Section 7.3 of this Ordinance in APPENDIX A, Tables 1 through 6 and Tables 8 through 15, and APPENDIX B to the extent that such information and financial statements are customarily prepared by the City and is publicly available (currently, information that is customarily prepared by the City and is publicly available consists of the City's annual audited financial statements and annual property tax reports). The City shall update such information within six months after the end of each fiscal year. If the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City shall provide unaudited financial statements for the applicable fiscal year by the required time, and audited financial statements when and if audited financial statements become available.

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

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

(b) 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:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

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- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) 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;
- (vii) Modifications to rights of holders of the Certificates, if material;
- (viii) Certificate calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Certificates, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City;
- (xiii) 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
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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 this Section by the time required by such Section.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

(c) 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 the notice required by this Section of any Certificate calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Registered Owners and 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

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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 REGISTERED OWNER 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 constitute a breach of or default under the Ordinance for purposes of any other provision of this Ordinance.

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

(d) The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted a purchaser to purchase or sell the Certificates in the primary offering of the Certificates 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 Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates 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 Registered Owners and beneficial owners of the Certificates. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section 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 Section 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 Section in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented a purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

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ARTICLE IX

MISCELLANEOUS

Section 9.1: Defeasance. The City may defease the provisions of this Ordinance and discharge its obligations to the Registered Owners of any or all of the Certificates to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Paying Agent/Registrar or with the Comptroller of Public Accounts of the State of Texas either:

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

(b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance. Upon such deposit, such Certificates shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

Section 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 reserves the right to amend this Ordinance without the consent of any holder for the purpose of amending or supplementing this Ordinance to (i) cure any ambiguity, defect or omission herein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect

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or (v) make such other provisions in regard to matters or questions arising under this Ordinance that are not inconsistent with the provisions hereof and which, in the opinion of bond counsel for the City, do not materially adversely affect the interests of the holders.

This Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above in this Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates, as the case may be necessary for consent to such amendment.

Section 9.3: Attorney General Modification. In order to obtain the approval of the Certificates by the Attorney General of the State of Texas, any provision of this Ordinance may be modified, altered or amended after the date of its adoption if required by the Attorney General in connection with the Attorney General's examination as to the legality of the Certificates and approval thereof in accordance with the applicable law. Such changes, if any, shall be provided to the City Secretary and the City Secretary shall insert such changes into this Ordinance as if approved on the date hereof.

Section 9.4: 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 9.5: 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 and/or Special Tax 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.

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Section 9.6: 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 9.7: Further Proceedings. The Mayor, Mayor Pro-Tem, City Secretary, Director of Finance 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.

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PASSED AND ADOPTED this September 26, 2011.

CITY OF LANCASTER, TEXAS

Marcus E. Knight, Mayor

ATTEST:

Dolle K. Downe, City Secretary

(SEAL)



EXHIBIT A

FORM OF CERTIFICATE

UNITED STATES OF AMERICA
STATE OF TEXAS

CITY OF LANCASTER, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2011

NUMBER
¹R- REGISTERED DENOMINATION
\$ _____ REGISTERED

²INTEREST RATE: DATED DATE: September 15, 2011 ²MATURITY DATE: August 15, _____ ²CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

³THE CITY OF LANCASTER, TEXAS, a municipal corporation 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 Certificate at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, 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

¹ Initial Certificate shall be numbered T-1.

² Omitted from initial Certificate.

³ The following paragraph should be inserted into the Initial Certificate:

THE CITY OF LANCASTER, TEXAS, a municipal corporation 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 August 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.]* (or on earlier redemption as herein provided), upon presentation and surrender of this Certificate at the principal corporate trust office of The Bank of New York Mellon Trust Company, National Association, Dallas, Texas, or its successor (the "Paying Agent/Registrar"), the principal amounts 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, from the later of the Dated Date or the most recent interest payment date to which interest has been paid or duly provided for.

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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 October 27, 2011 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 and August 15 of each year commencing August 15, 2012 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 September 26, 2011 (the "Ordinance") (1) 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; (a) expanding and improving the water and wastewater system; (b) design, construction and the equipping thereof of an elevated storage tank, including drainage improvements incidental thereto, and the acquisition of land and rights-of-way in connection therewith, to be located in the 792 Pressure Plane as described in the City's Water Master Plan which is available for public inspection at City Hall; (c) construction, improvements and replacement of certain waterlines throughout the city, including the Martin Berry Waterline, the 3rd Street Water Line and the Lexington Waterline; (d) certain water and sewer design, construction, renovation, and improvements within the City, and the equipping thereof, including the Keller Branch interceptor; and (2) payment for 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.

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."

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CITY OF LANCASTER, TEXAS

Mayor

(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 August 15, 2022, in whole or in part, on August 15, 2021, or any date thereafter, at par plus accrued interest to the date fixed for redemption.

THE CERTIFICATES MATURING on August 15, 20__, August 15, 20__, and August 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>
Term Certificates Maturing August 15, 20__	August 15, 20__	\$
	August 15, 20__	

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.

At the request of the Paying Agent/Registrar, the redemption price of the Certificates to be redeemed at the option of the City will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Paying Agent/Registrar and the City may conclusively rely

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on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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.

NEITHER THE CITY NOR THE PAYING AGENT/REGISTRAR shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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.

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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.

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* * *

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]

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* * *

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:

* * *

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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.

<p>DATED: _____</p> <p>Signature Guaranteed:</p> <p>_____</p> <p>_____</p> <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>_____</p> <p>_____</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 ____

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EXHIBIT C
PRELIMINARY OFFICIAL STATEMENT

See Tab __

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

ON

**\$7,585,000
CITY OF LANCASTER, TEXAS
(Dallas County)
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2011**

Sealed Bids Due Monday, September 26, 2011, at 11:00 AM, CDT

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of Lancaster, Texas (the "City") is offering for sale its \$7,585,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011 (the "Certificates"). Bidders may submit bids for the Certificates by any of the following methods:

- (1) Deliver bids directly to the City as described below in "Bids Delivered to the City;"
- (2) Submit bids electronically as described below in "Electronic Bidding Procedures;" or
- (3) Submit bids by telephone or facsimile as described below in "Bids by Telephone or Facsimile."

BIDS DELIVERED TO CITY . . . Sealed bids, plainly marked "Bid for Certificates," should be addressed to "Mayor and City Council, City of Lancaster, Texas," and should be delivered to the City's Financial Advisor, First Southwest Company, at 777 Main Street, Suite 1200, Fort Worth, Texas 76102, prior to 11:00 AM, CDT, on the date of the sale.

ELECTRONIC BIDDING PROCEDURES . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to PARITY, i-Deal's BIDCOMP Competitive Bidding Systems is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms prior to bidding.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of the Notice of Sale and Bidding Instructions shall conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice of Sale and Bidding Instructions shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For purposes of the bidding process, regardless of the bidding method, the time as maintained by i-Deal shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidding Instructions and the Official Bid Form. The winning bidder shall submit a signed bid form if not previously submitted.

BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit, prior to September 26, 2011, a SIGNED Official Bid Form to David Medanich, First Southwest Company, 777 Main Street, Suite 1200, Fort Worth, Texas 76102, and submit their bid by telephone or facsimile (fax) on the date of the sale.

Telephone bids will be accepted at (817) 332-9710, between 10:00 AM, CDT and 11:00 AM, CDT on the date of the sale.

Fax bids will be received between 10:00 AM, CDT and 11:00 AM, CDT, on the date of the sale at (817) 336-5572, attention: Gloria Lindsey.

First Southwest Company will not be responsible for submitting to the City any bids received after the above deadlines.

The City and First Southwest Company are not responsible if such telephone or facsimile numbers are busy which prevents a bid or bids from being submitted on a timely basis.

First Southwest Company assumes no responsibility or liability with respect to any irregularities associated with the submission of bids if any options are exercised.

PLACE AND TIME OF BID OPENING. . . The bids for the Certificates will be publicly opened and read at the offices of the Financial Advisor, at 11:00 AM, CDT, Monday, September 26, 2011.

AWARD OF THE CERTIFICATES . . . The City Council will take action to award the Certificates (or reject all bids) at a meeting scheduled to convene at 7:00 PM, CDT, on the date of the bid opening, and adopt an ordinance authorizing the Certificates and approving the Preliminary Official Statement (the "Ordinance"). The City reserves the right to reject any and all bids and to waive any irregularities except time of submission.

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated September 15, 2011 (the "Dated Date"). Interest will accrue from the Dated Date and will be due on February 15, 2012, and each August and February 15 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on August 15 in each year as follows:

MATURITY SCHEDULE

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2012	\$ 300,000	2019	\$ 330,000	2026	\$ 430,000
2013	280,000	2020	340,000	2027	450,000
2014	285,000	2021	355,000	2028	470,000
2015	295,000	2022	370,000	2029	495,000
2016	300,000	2023	385,000	2030	515,000
2017	310,000	2024	400,000	2031	540,000
2018	320,000	2025	415,000		

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2022, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued as serial Certificates maturing in accord with the Maturity Schedule shown on the Official Bid Form ("Serial Certificates") or may provide that any two or more consecutive annual principal amounts be combined into one or more term Certificates ("Term Certificates").

MANDATORY SINKING FUND . . . If the successful bidder elects to alter the Maturity Schedule reflected above and convert principal amounts of the Serial Certificates into Term Certificates, such Term Certificates shall be subject to mandatory redemption on the first August 15 next following the last maturity for Serial Certificates, and annually thereafter on each August 15 until the stated maturity for the Term Certificates at the redemption prices of par plus accrued interest to the date of redemption. The principal amounts of the Term Certificates to be redeemed on each mandatory redemption date shall be the principal amounts that would have been due and payable in the Maturity Schedule shown above had no conversion to Term Certificates occurred. At least thirty (30) days prior to each mandatory redemption date, the Paying Agent/Registrar shall select by lot the Term Certificates to be redeemed and cause a notice of redemption to be given in the manner provided in the Preliminary Official Statement.

The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of the Term Certificates of the same maturity which (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date or purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

A final Official Statement will incorporate the mandatory redemption provisions for the Certificates in the event the successful bidder elects to convert serial maturities into one or more Term Certificates.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"). See "The Certificates - Book-Entry-Only System" in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see "The Certificates - Paying Agent/Registrar" in the Preliminary Official Statement).

SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000), junior and subordinate of the surplus Net Revenues of the City's Waterworks and Sewer System.

Further details regarding the Certificates are set forth in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than their par value and not more than 100.5% of their principal amount. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. For Certificates having stated maturities on and after August 15, 2022, no reoffering yield producing a dollar price less than 98.00 for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. Each bidder shall state in the bid the total interest cost in dollars and the effective interest rate determined thereby (calculated in the manner prescribed by Chapter 1204, Texas Government Code), which shall be considered informative only and not as a part of the bid.

BASIS FOR AWARD . . . The sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid (but not interest accrued from the Dated Date to the date of their delivery). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the official bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of Lancaster, Texas", in the amount of \$227,550.00, is required. Such Good Faith Deposit shall be a bank cashier's check or certified check, which is to be retained uncashed by the City pending the initial purchaser's ("Initial Purchasers") compliance with the terms of the bid and the Notice of Sale and Bidding Instructions. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which drawn which authorize its use as a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser upon payment for the Certificates.** No interest will be allowed on the Good Faith Deposit. In the event the Initial Purchaser should fail or refuse to take up and pay for the Certificates in accordance with the bid, then said check shall be cashed and accepted by the City as full and complete liquidated damages. The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Certificates has been made.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Certificates shall be paid by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

DELIVERY OF CERTIFICATES . . . Initial Delivery will be accomplished by the issuance of one Initial Certificate (also called the "Certificate" or "Certificates"), either in typed or printed form, in the aggregate principal amount of \$7,585,000, payable in stated installments to the Initial Purchaser or its designee, signed by the Mayor and City Secretary, approved by the Attorney General of the State of Texas, and registered and manually signed by the Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's Book-Entry-Only System. Delivery will be at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Initial Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about October 26, 2011, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, CDT, on October 26, 2011, or thereafter on the date the Certificate is tendered for delivery, up to and including November 9, 2011. If for any reason the City is unable to make delivery on or before November 9, 2011, the City shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty days. If the Initial Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Initial Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Initial Purchaser to take up and pay for the Certificates is subject to the Initial Purchaser's receipt of (a) the legal opinion of West & Associates, L.L.P., Dallas, Texas, Bond Counsel for the City ("Bond Counsel") and Andrews Kurth, LLP, Houston, Texas, Special Tax Counsel ("Special Tax Counsel"), (b) the no-litigation certificate, and (c) the certification as to the Official Statement, all as further described in the Official Statement.

In order to provide the City with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Certificates from the gross income of their owners, the Initial Purchaser will

be required to complete, execute, and deliver to the City (on or before the 6th business day prior to the delivery of the Certificates) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions (the "Certificate Regarding Issue Price"). In the event the successful bidder will not reoffer the Certificates for sale, such certificate may be modified in a manner approved by Special Tax Counsel. **In no event will the City fail to deliver the Certificates as a result of the Initial Purchaser's inability to sell a substantial amount of the Certificates at a particular price prior to delivery.** Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Certificates, if its bid is accepted by the City. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Special Tax Counsel.

LEGAL OPINION . . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Initial Purchaser of opinions of Bond Counsel, to the effect that the Certificates are valid and binding obligations of the City and that the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" in the Preliminary Official Statement, including alternative minimum tax consequences for corporations.

CERTIFICATION OF PRELIMINARY OFFICIAL STATEMENT . . . At the time of payment for and Initial Delivery of the Certificates, the City will execute and deliver to the Initial Purchaser a certificate in the form set forth in the Official Statement.

CHANGE IN TAX EXEMPT STATUS . . . At any time before the Certificates are tendered for delivery, the Initial Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character shall be declared to be includable in gross income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

GENERAL

FINANCIAL ADVISOR . . . First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond and Special Tax Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Initial Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Initial Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement. Prospective purchasers are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City does not anticipate issuing additional general obligation debt within the next six month period.

RATINGS . . . The presently outstanding tax supported debt of the City is rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "A" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services business ("S&P"). The City also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for contract ratings on this issue have been made to both Moody's and S&P. The results of their determinations will be provided as soon as possible.

MUNICIPAL BOND INSURANCE . . . In the event the Certificates are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the City. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Certificates. Any rating downgrade by Moody's or S&P, respectively, of the bond insurance provider after the Bid Opening shall not relieve the Initial Purchaser of its obligation under the heading "DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS".

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The City has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with U.S. Security & Exchange Commission Rule 15c2-12 (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of

such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The City will furnish to the Initial Purchaser, acting through a designated senior representative, in accordance with instructions received from the Initial Purchaser, within seven (7) business days from the sale date an aggregate of 250 copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Certificates. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Initial Purchaser. The Initial Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Certificates.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Ordinance to provide certain periodic information and notices of material events in accordance with the Rule 15c2-12, as described in the Preliminary Official Statement under "Continuing Disclosure of Information". The Initial Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Initial Purchaser or agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. Updated unaudited financial information of the general type included in Appendix B has, in each of the last five years, been timely filed in the form of updates to certain tables containing similar information. This information has been subsequently amended when the City's audited financial statements have become available. The City's 2005, 2006, 2007, 2008, 2009, and 2010 audited financial statements release dates were January 29, 2007, January 9, 2008, February 25, 2009, February 16, 2010, April 19, 2010, and August 22, 2011 respectively. The City has implemented several administrative changes to increase the efficiency of its annual reporting procedures and to ensure timely preparation of its annual audited financial statements.

ADDITIONAL COPIES OF NOTICE, BID FORM AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, as available over and above the normal mailing, may be obtained at the offices of First Southwest Company, Investment Bankers, 325 North St. Paul, Suite 800, Dallas, Texas 75201, Financial Advisor to the City.

On the date of the sale, the City will, in the Ordinance authorizing the issuance of the Certificates, confirm its approval of the form and content of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Initial Purchaser.

MARCUS E. KNIGHT
Mayor
City of Lancaster, Texas

ATTEST:

DOLLE DOWNE
City Secretary

September 14, 2011

BOND YEARS

<u>Bonds Maturing</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>	<u>Bonds Maturing</u>
2012	300,000	275.000	275.000	2012
2013	280,000	536.667	811.667	2013
2014	285,000	831.250	1,642.917	2014
2015	295,000	1,155.417	2,798.333	2015
2016	300,000	1,475.000	4,273.333	2016
2017	310,000	1,834.167	6,107.500	2017
2018	320,000	2,213.333	8,320.833	2018
2019	330,000	2,612.500	10,933.333	2019
2020	340,000	3,031.667	13,965.000	2020
2021	355,000	3,520.417	17,485.417	2021
2022	370,000	4,039.167	21,524.583	2022
2023	385,000	4,587.917	26,112.500	2023
2024	400,000	5,166.667	31,279.167	2024
2025	415,000	5,775.417	37,054.583	2025
2026	430,000	6,414.167	43,468.750	2026
2027	450,000	7,162.500	50,631.250	2027
2028	470,000	7,950.833	58,582.083	2028
2029	495,000	8,868.750	67,450.833	2029
2030	515,000	9,742.083	77,192.917	2030
2031	540,000	10,755.000	87,947.917	2031

Average Maturity 11.596 Years

OFFICIAL BID FORM

Honorable Mayor and City Council
City of Lancaster, Texas

September 26, 2011

Honorable Mayor and Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated September 14, 2011 of \$7,585,000 CITY OF LANCASTER, TEXAS TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2011, both of which constitute a part hereof.

For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you par and accrued interest from date of issue to date of delivery to us, plus a cash premium of \$ _____ (not to exceed 0.5% of par amount of Certificates) for Certificates maturing and bearing interest as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
8/15/2012	300,000	_____ %	8/15/2019	\$ 330,000	_____ %	8/15/2026	\$ 430,000	_____ %
8/15/2013	280,000	_____ %	8/15/2020	340,000	_____ %	8/15/2027	450,000	_____ %
8/15/2014	285,000	_____ %	8/15/2021	355,000	_____ %	8/15/2028	470,000	_____ %
8/15/2015	295,000	_____ %	8/15/2022	370,000	_____ %	8/15/2029	495,000	_____ %
8/15/2016	300,000	_____ %	8/15/2023	385,000	_____ %	8/15/2030	515,000	_____ %
8/15/2017	310,000	_____ %	8/15/2024	400,000	_____ %	8/15/2031	540,000	_____ %
8/15/2018	320,000	_____ %	8/15/2025	415,000	_____ %			

Of the principal maturities set forth in the table above, term bonds have been created as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

<u>Maturity Date</u> <u>August 15</u>	<u>Year of</u> <u>First Mandatory</u> <u>Redemption</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %

Our calculation (which is not a part of this bid) of the true interest cost from the above is:

TRUE INTEREST COST _____ %

We are having the Certificates of the following maturities _____ insured by _____ at a premium of \$ _____, **said premium to be paid by the Initial Purchaser.** Any fees to be paid to the rating agencies as a result of said insurance **will be paid by the City.**

The Initial Certificates shall be registered in the name of _____, which will, upon payment for the Certificates, be canceled by the Paying Agent/Registrar. The Certificates will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of the _____ Bank, _____, in the amount of \$227,550.00, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Preliminary Official Statement and Notice of Sale and Bidding Instructions. Such Good Faith Deposit is payable to the order of "The City of Lancaster, Texas". If the Certificates are awarded to us, the Good Faith Deposit will remain uncashed and will be returned to us at the time of delivery of the Bonds by the City.

We agree to accept delivery of the Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, The Bank of New York Mellon Trust Company, National Association, not later than 10:00 AM, CDT, on October 26, 2011, or thereafter on the date the Certificates are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the Initial Purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the City, at least six business days prior to delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the City.

If the bid is accepted by the City, this bid shall thereupon become a contract of purchase for the Certificates under the terms contained in this Official Bid Form and in the Notice of Sale and Bidding Instructions. We hereby acknowledge that we have received and read the Notice of Sale and Bidding Instructions and Preliminary Official Statement referred to above.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

Name of Underwriter or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of Lancaster, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 26th day of September, 2011.

ATTEST:

Mayor
City of Lancaster, Texas

City Secretary

CERTIFICATE REGARDING ISSUE PRICE

The undersigned hereby certifies with respect to the sale of the City of Lancaster, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 201, dated September 15, 2011 (the "Certificates"), as follows:

1. The undersigned is a duly authorized representative of the underwriter or of the manager of the syndicate of underwriters that purchased the Certificates from the City of Lancaster, Texas (the "Issuer") pursuant to a competitively bid sale. (Such underwriter or syndicate of underwriters is referred to herein as the "Initial Purchaser"). In this capacity, the undersigned is familiar with the facts stated herein.
2. The term "Initial Offering Prices" means the respective initial offering prices (exclusive of accrued interest) for the Certificates of each maturity (stated as a percent of par) as set forth in the following table.

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INITIAL OFFERING PRICE</u>	<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INITIAL OFFERING PRICE</u>
2012	\$ 300,000	___%	2022	\$ 370,000	___%
2013	280,000	___%	2023	385,000	___%
2014	285,000	___%	2024	400,000	___%
2015	295,000	___%	2025	415,000	___%
2016	300,000	___%	2026	430,000	___%
2017	310,000	___%	2027	450,000	___%
2018	320,000	___%	2028	470,000	___%
2019	330,000	___%	2029	495,000	___%
2020	340,000	___%	2030	515,000	___%
2021	355,000	___%	2031	540,000	___%

3. The term "Public" shall not include bond houses, brokers, and similar persons or organizations acting in the capacity of wholesalers or underwriters. The term "Sale Date" means the first day on which there was a binding contract in writing for the sale of the Certificates by the Issuer to the Initial Purchaser on specific terms that were not later modified or adjusted in any material respect. In the case of the Certificates, the Sale Date is September 26, 2011. The term "Issue Date" means the first day on which there is a physical delivery of the written evidence of the Certificates in exchange for the purchase price (but not earlier) than the day interest on the Certificates begins to accrue for federal income tax purposes). In the case of the Certificates, the Issue Date is _____, 2011.
4. Based on the actual facts and reasonable expectations in existence, the Initial Offering Price for each Certificate (a) represented the price (payable in cash, with no other consideration being included, and exclusive of accrued interest), at which the Initial Purchaser reasonably expected each such Certificate would be sold to the Public, and (b) did not exceed what the Initial Purchaser believed to be the respective fair market value of each such Certificate.
5. The Initial Purchaser has made a bona fide public offering to the Public of all the Certificates of each maturity at the Initial Offering Prices set forth above in paragraph 2. The Initial Offering Prices were determined on the Sale Date based on the Initial Purchaser's reasonable expectations regarding the Initial Offering Prices, and at least 10 percent of all of the Certificates, except any Retained Certificates (as defined below) were sold to the Public at the Initial Offering Prices. For the Certificates maturing in the years _____, _____, _____, _____, and _____, of which at least 10 percent of each maturity was not sold to the Public at the Initial Offering Prices (the "Retained Certificates"), the Initial Purchaser reasonably expected, as of the Sale Date to sell a substantial amount of each maturity of such Certificates to the Public at the respective Initial Offering Prices.
6. The aggregate of the respective Initial Offering Prices (the "Issue Price") of all of the Certificates, exclusive of accrued interest and without adjustment for any costs of issuance, is \$ _____. The pre-issuance accrued interest on the Certificates as of the Issue Date is \$ _____.
7. The Initial Purchaser [has/has not] purchased bond insurance or another form of credit enhancement ("Guarantee") securing the payment of the principal of, or interest on, any of the Certificates. If any Guarantee has been purchased with respect to all or any portion of the Certificates –
 - a. The provider of the Guarantee is _____ (the "Guarantor").
 - b. The fee or premium paid to the Guarantor for the Guarantee is \$ _____ (the "Premium"). The Premium is set forth in the Guarantor's commitment, does not exceed a reasonable charge for the transfer of the credit risk provided by the Guarantee, and does not include any direct or indirect payment or compensation (such as rating agency fees) for any service other than the transfer of such credit risk. The

Guarantor has not provided any service other than the Guarantee, except for any such service for which the Guarantor has charged a reasonable arm's length price which will be in addition to, and stated separately from, the Premium. No portion of the Premium is refundable upon the redemption or defeasance of any of the Certificates.

c. As a result of the Guarantee, the interest rates on the Certificates are less than those which would have been necessary in order to sell the Certificates at the respective Initial Offering Prices without the Guarantee. The present value of such interest savings expected to result from the Guarantee is greater than the present value of the Premium. In both cases, such present values have been determined as of the Issue Date using the yield on the Certificates (computed for this purpose by treating the Premium as additional interest on the Certificates) as the discount rate.

We understand that the Issuer will rely on the above in making certain representations to Andrews Kurth LLP, Bond Counsel to the Issuer, and in complying with the conditions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations in effect thereunder, necessary for interest on the Certificates to be and remain excludable from gross income for federal income tax purposes.

EXECUTED and DELIVERED as of and on the ___ day of _____ 2011.

INITIAL PURCHASER

By: _____

Name: _____

Title: _____

PRELIMINARY OFFICIAL STATEMENT

Dated September 14, 2011

Ratings:
Moody's: "Aa3"
S&P: "A"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Special Tax Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS - Tax Exemption" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS - Tax Exemption" for a discussion of the opinion of Special Tax Counsel, including the alternative minimum tax on corporations.

THE CERTIFICATES WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



Dated Date: September 15, 2011

\$7,585,000
CITY OF LANCASTER, TEXAS
(Dallas County)
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2011

Due: August 15, as shown below

PAYMENT TERMS ... Interest on the \$7,585,000 City of Lancaster, Texas Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011 (the "Certificates") will accrue from September 15, 2011 (the "Dated Date"), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing August 15, 2012, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE ... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Lancaster, Texas (the "City"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000), junior and subordinate of the surplus Net Revenues of the City's Waterworks and Sewer System as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

PURPOSE ... Proceeds from the sale of the Certificates will be used for (i) for paying contractual obligations to be incurred for the construction of public works, and purchase of materials, supplies, equipment, machinery, buildings, land and right-of-way for authorized needs and purposes to (a) expand and improve the water and wastewater system; (b) design, construction and equipping of an elevated storage tank, including drainage improvements and the acquisition of land and rights-of-way in connection therewith, to be located in the 792 Pressure Plane as described in the City's Water Master Plan; (c) construction, improvements and replacement of certain waterlines throughout the city, including the Martin Berry Waterline, the 3rd Street Waterline and the Lexington Waterline; (d) certain water and sewer design, construction, renovation, and improvements within the City, and the equipping thereof, including the Keller Branch interceptor; and (ii) paying for professional services rendered in connection with the above listed projects.

MATURITY SCHEDULE

CUSIP Prefix ⁽¹⁾: 514444

Amount	Aug 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Amount	Aug 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 300,000	2012				\$ 370,000	2022			
280,000	2013				385,000	2023			
285,000	2014				400,000	2024			
295,000	2015				415,000	2025			
300,000	2016				430,000	2026			
310,000	2017				450,000	2027			
320,000	2018				470,000	2028			
330,000	2019				495,000	2029			
340,000	2020				515,000	2030			
355,000	2021				540,000	2031			

(Accrued Interest from September 15, 2011 to be added)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION ... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2022, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

LEGALITY ... The Certificates are offered for delivery when, as and if issued and received by the Underwriters of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of West & Associates, L.L.P., Bond Counsel, Dallas, Texas, and Andrews Kurth, LLP, Special Tax Counsel, Houston Texas (see Appendix C, "Form of Bond and Special Tax Counsels' Opinions").

DELIVERY ... It is expected that the Certificates will be available for delivery through The Depository Trust Company on October 26, 2011.

BIDS DUE MONDAY, SEPTEMBER 26, 2011, AT 11:00 AM, CDT

For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page, Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation, promise or guarantee of the Financial Advisors.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisors. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been a change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISORS, OR THE INITIAL PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENT.

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The cover page her eof, this page, the appendices included her ein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY..... The City of Lancaster is a political subdivision and municipal corporation of the State located in Dallas County, Texas. The City was incorporated in 1952, and first adopted its Home Rule Charter in 1956. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The City Manager is the chief administrative officer. The City covers approximately 29 square miles (see "Introduction - Description of the City").

THE CERTIFICATES The \$7,585,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011 are to mature on August 15 in the years 2012 through 2031 (see "The Certificates - Description of the Certificates").

PAYMENT OF INTEREST Interest on the Certificates accrues from September 15, 2011, and is payable August 15, 2012, and each February 15 and August 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").

AUTHORITY FOR ISSUANCE..... The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance passed by the City Council of the City (see "The Certificates - Authority for Issuance").

SECURITY FOR THE CERTIFICATES The Certificates constitute direct obligations of the City payable from (i) a continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000), junior and subordinate of the surplus Net Revenues (as defined in the Ordinance) of the City's Water and Sewer System (see "The Certificates - Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS..... The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters - Qualified Tax-Exempt Obligations for Financial Institutions").

REDEMPTION The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after August 15, 2022, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates - Optional Redemption").

TAX EXEMPTION In the opinion of Special Tax Counsel, interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS - Tax Exemption" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS - Tax Exemption" for a discussion of the opinion of Special Tax Counsel, including the alternative minimum tax on corporations.

USE OF PROCEEDS Proceeds from the sale of the Certificates will be used for (i) for paying contractual obligations to be incurred for the construction of public works, and purchase of materials, supplies, equipment, machinery, buildings, land and right-of-way for authorized needs and purposes to (a) expand and improve the water and wastewater system; (b) design, construction and equipping of an elevated storage tank, including drainage improvements and the acquisition of land and rights-of-way in connection therewith, to be located in the 792 Pressure Plane as described in the City's Water Master Plan; (c) construction, improvements and replacement of certain waterlines throughout the city, including the Martin Berry Waterline, the 3rd Street Waterline and the Lexington Waterline; (d) certain water and sewer design, construction, renovation, and improvements within the City, and the equipping thereof, including the Keller Branch interceptor; and (ii) paying for professional services rendered in connection with the above listed projects.

RATINGS The Certificates and presently outstanding unenhanced tax supported debt of the City are rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "A" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P").

BOOK-ENTRY-ONLY SYSTEM..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry -Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "The Certificates - Book-Entry-Only System").

LEGAL OPINIONS..... West & Associates, L.L.P., Dallas, Texas, Bond Counsel, and Andrews Kurth LLP, Houston, Texas, Special Tax Counsel.

PAYMENT RECORD The City has never defaulted on the payment of its tax supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation D	Tax-Supported Debt	Per Capita Tax-Supported Debt	Ratio Tax-Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2008	35,800 ⁽¹⁾	\$ 1,709,096,790	\$ 47,740	\$ 55,125,000	\$ 1,540	3.23%	99.68%
2009	36,200 ⁽¹⁾	1,725,352,328	47,662	53,250,000	1,471	3.09%	98.96%
2010	36,361 ⁽²⁾	1,563,581,389	43,002	86,225,000	2,371	5.51%	98.99%
2011	36,390 ⁽¹⁾	1,498,202,005	41,171	84,055,000	2,310	5.61%	98.25% ⁽⁵⁾
2012	36,420 ⁽³⁾	1,497,549,787	41,119	88,525,000 ⁽⁴⁾	2,431	5.91%	NA

(1) Source: North Central Texas Council of Governments.

(2) Source: U.S. Census Bureau.

(3) Estimate provided by City Staff.

(4) Projected; includes the Certificates. Includes self-supporting debt. See Tables I and 10 herein and the footnotes related thereto.

(5) Collections for part year only, through August 1, 2011.

For additional information regarding the City, please contact:

Opal Mauldin-Robertson
Sheree Haynes
City of Lancaster
211 North Henry Street
Lancaster, Texas 75146
(972) 218-1300

or

David K. Medanich
Nick Bulaich
First Southwest Company
777 Main Street, Suite 1200
Fort Worth, Texas 76102-3123
(817) 332-9710

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Marcus E. Knight Mayor	3 Years	May, 2012	Business Executive
Walter Weaver Councilmember, District 1	1 Year	May, 2013	Retired Teacher
Stanley Jaglowski Councilmember, District 2	Newly Elected	May, 2014	Automotive Service Professional
Marco Mejia Councilmember, District 3	1 Year	May, 2013	Business Owner, Construction Company
James Daniels Councilmember, District 4	7 Years	May, 2014	Retired
Clyde C. Hariston Councilmember, District 5	1 Year	May, 2013	Minister
Nina Morris Councilmember, District 6	3 Years	May, 2014	Community Volunteer

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service with City</u>	<u>Length of Service to Municipal Governments</u>
Opal Mauldin-Robertson	City Manager	9 Years	19 Years
Sheree Haynes	Director of Finance	2 Months	11 Years
Dolle Downe	City Secretary	8 Years	20 Years
Bob Hager	City Attorney	34 Years	34 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants	Weaver & Tidwell L.L.P. Dallas, Texas
Bond Counsel	West & Associates, L.L.P. Dallas, Texas
Special Tax Counsel	Andrews Kurth LLP Houston, Texas
Financial Advisor	First Southwest Company Fort Worth, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$7,585,000

**CITY OF LANCASTER, TEXAS
TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2011**

INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$7,585,000 City of Lancaster, Texas, Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2011 (the "Certificates"). Capitalized terms used in this Preliminary Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follow in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1952, and first adopted its Home Rule Charter in 1956. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is three years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the four remaining Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), municipal court, streets, engineering, traffic and transportation, water distribution, sewer treatment, sanitation, health, recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 36,361, while the estimated 2012 population is 36,420. The City covers approximately 31 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) for paying contractual obligations to be incurred for the construction of public works, and purchase of materials, supplies, equipment, machinery, buildings, land and right-of-way for authorized needs and purposes to (a) expand and improve the water and wastewater system; (b) design, construction and equipping of an elevated storage tank, including drainage improvements and the acquisition of land and rights-of-way in connection therewith, to be located in the 792 Pressure Plane as described in the City's Water Master Plan; (c) construction, improvements and replacement of certain waterlines throughout the city, including the Martin Berry Waterline, the 3rd Street Waterline and the Lexington Waterline; (d) certain water and sewer design, construction, renovation, and improvements within the City, and the equipping thereof, including the Keller Branch interceptor; and (ii) paying for professional services rendered in connection with the above listed projects.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Certificates will be applied as follows:

	The Certificates
<u>Sources of Funds</u>	
Par Amount	\$ -
Accrued Interest	-
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds</u>	
Deposit to Construction Fund	\$ -
Deposit to Interest and Sinking Fund	-
Costs of Issuance ⁽¹⁾	-
Total Uses of Funds	<u>\$ -</u>

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 15, 2011, and mature on August 15 in each of the years and in the amounts shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on August 15 and February 15 of each year, commencing August 15, 2012. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and the Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, and are additionally secured by and payable from a limited pledge (not to exceed \$1,000), junior and subordinate of the surplus net revenues of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax within the limits prescribed by law sufficient to provide for the payment of principal of and interest on all ad valorem tax debt. Article XI, Section 5 of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutional maximum tax rate of \$2.50 per \$100 Assessed Valuation for all City purposes. Administratively, the Texas Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service. The issuance of the Certificates does not violate this constitutional provision, the City's Home Rule Charter, or the Texas Attorney General's administrative policy.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2022, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. **ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE.** If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principle of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully -registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully -registered Bond certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry -only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry -Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry -Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM In the event that the Book-Entry -Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is The Bank of New York Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates, as the case may be, are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the Designated Payment/Transfer Office of the Paying Agent/Registrar upon surrender of the Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES - Book-Entry -Only System" herein. Interest on the Certificates is payable to the Registered Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Registered Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry -Only System should be discontinued, printed Certificates will be delivered to the Registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "The Certificates - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the month next preceding the interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. No notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Certificate to be paid on the Special Payment Date that appears on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

REPLACEMENT CERTIFICATES . . . If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same denominations and bearing the same rate of interest as the Certificate so mutilated, destroyed, stolen or lost will be issued as provided in the Ordinance and subject to the applicable laws of the State of Texas. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and substitution for an Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

REMEDIES . . . The Ordinance establishes specific events of default with respect to the respective The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal or interest on the Certificates when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners of the Certificates, as applicable, may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the applicable Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal or interest on the Certificates when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in an Ordinance, the registered owners of the Certificates, as applicable, may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the applicable Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. Even if a judgment against

the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

DEFEASANCE . . . Certificates may be defeased in any manner provided by law now or hereafter.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates, as applicable, aggregating in principal amount 51% of the outstanding Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Title 1 of the Texas Tax Code (referred to here in as the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios.

In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which it was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of seven y-five members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

As of January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for repairs or improvements required to comply with governmental requirements and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployment is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Section 11.253 of the Tax Code defines "goods-in-transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following year. A taxpayer may receive only one of the freeport exemptions or one of the goods-in-transit exemptions, but not both, for items of personal property.

The City may create one or more tax increment financing districts ("TIF") within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . . Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate per \$100 taxable value for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures for the next year, and (2) a rate to fund debt service in the next year.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". Furthermore, the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Disabled taxpayers and taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee of up to 20% of the amount of delinquent tax, penalty, and interest collected, and such fee may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$30,000; the disabled are also granted an exemption of \$30,000.

The City has not granted any part of the additional exemption of up to 20% of the market value of residence homesteads; the minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property, and Dallas County collects taxes for the City.

The City does not permit split payments of taxes, and discounts for the early payment of taxes are not allowed.

The City does not tax freeport property.

The City does collect the additional one-quarter cent sales tax for reduction of ad valorem taxes.

TAX ABATEMENTS . . . The City has adopted a tax abatement policy and currently grants abatements to the following companies.

<u>Corporation Name</u>	<u>2011 Market Value</u>	<u>2011 Tax Value</u>	<u>Year on Roll</u>
White Rock	\$ 1,965,070	\$ 7,855	2009
Prologis	31,189,110	31,189,110	2008
Brenntag	13,058,170	13,058,170	2003

TAX INCREMENT FINANCING ZONES . . . The City has not created and does not participate in any TIFs created under Chapter 311 of the Tax Code.

CHAPTER 380 AGREEMENTS . . . The City has a policy in place relating to Chapter 380 economic development incentive programs, and has entered into two such agreements.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2011/12 Market Valuation Established by Dallas Central Appraisal District		\$ 1,740,802,380
Less Exemptions/Reductions at 100% Market Value:		
Over 65/Disabled Persons Exemptions	\$ 50,288,307	
Disabled Veterans Exemptions	8,664,323	
Freeport Exemption	24,927,975	
Capped Value Loss	760,774	
Pollution Control Exemption	1,255,477	
Totally Exempt Property	77,248,570	
Agricultural and Other Exemptions	<u>80,107,167</u>	<u>243,252,593</u>
2011/12 Taxable Assessed Valuation		\$ 1,497,549,787
City Funded Debt Payable from Ad Valorem Taxes (as of 8-15-11) ⁽¹⁾		
General Obligation Bonds	\$ 56,730,000	
Certificates of Obligation	27,325,000	
The Certificates	<u>7,585,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 91,640,000
Less Self-Supporting Debt: ⁽²⁾		
Water and Sewer System General Obligation Debt	\$ 14,921,189 ⁽³⁾	
Stormwater System General Obligation Debt	565,000	
Airport System General Obligation Debt	137,280	
Economic Development Corporation General Obligation Debt	2,655,000	
Recreational Development Corporation General Obligation Debt	<u>9,120,000</u>	<u>27,398,469</u>
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 64,241,531
Interest and Sinking Fund as of 8-15-11		\$ 467,099
Ratio Total Funded Debt to Taxable Assessed Valuation		6.12%
Ratio Net Funded Debt to Taxable Assessed Valuation		4.29%

2012 Estimated Population - 36,420
Per Capita Taxable Assessed Valuation - \$41,119
Per Capita Total Funded Debt - \$2,516
Per Capita Net Funded Debt - \$1,764

- (1) The above statement of indebtedness does not include currently outstanding \$450,000 Waterworks and Sewer System Revenue Bonds, as these bonds are payable solely from the net revenues of the Waterworks and Sewer System (the "System"), as defined in the ordinances authorizing such bonds.
- (2) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues. This policy is subject to change in the future. To the extent such policy is changed and such self-supporting debt is not paid from the respective system revenues, such debt will be paid from ad valorem taxes.
- (3) Includes the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 900,351,520	51.72%	\$ 905,759,510	54.27%	\$ 943,972,980	54.26%
Real, Residential, Multi-Family	71,756,440	4.12%	74,506,500	4.46%	81,307,440	4.67%
Real, Vacant Lots/Tracts	59,847,390	3.44%	57,268,340	3.43%	52,158,020	3.00%
Real, Acreage (Land Only)	77,143,990	4.43%	88,313,230	5.29%	105,008,020	6.04%
Real, Farm and Ranch Improvements	12,872,360	0.74%	15,079,790	0.90%	16,633,110	0.96%
Real, Commercial	292,632,870	16.81%	244,442,170	14.65%	256,529,490	14.75%
Real, Industrial	29,204,940	1.68%	18,277,640	1.10%	19,343,890	1.11%
Oil, Gas and Mineral Reserves	460	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	90,043,510	5.17%	78,660,170	4.71%	94,398,980	5.43%
Tangible Personal, Commercial	155,244,900	8.92%	137,597,940	8.24%	109,677,600	6.30%
Tangible Personal, Industrial	49,641,320	2.85%	47,702,600	2.86%	58,785,810	3.38%
Tangible Personal, Other	-	0.00%	-	0.00%	200,920	0.01%
Tangible Personal, Mobile Homes	721,940	0.04%	855,740	0.05%	846,280	0.05%
Special Inventory	1,340,740	0.08%	502,170	0.03%	818,060	0.05%
Total Appraised Value Before Exemptions	\$ 1,740,802,380	100.00%	\$ 1,668,965,800	100.00%	\$ 1,739,680,600	100.00%
Totally Exempt Property	(77,248,570)		-		-	
Total Exemptions/Reductions	(166,004,023)		(170,763,795)		(176,099,211)	
Taxable Assessed Value	\$ 1,497,549,787		\$ 1,498,202,005		\$ 1,563,581,389	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2009		2008	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 1,058,645,200	55.91%	\$ 1,041,208,720	56.06%
Real, Residential, Multi-Family	93,503,550	4.94%	78,812,720	4.24%
Real, Vacant Lots/Tracts	56,378,290	2.98%	59,137,290	3.18%
Real, Acreage (Land Only)	93,379,190	4.93%	92,445,135	4.98%
Real, Farm and Ranch Improvements	15,598,400	0.82%	8,151,825	0.44%
Real, Commercial	262,452,680	13.86%	256,133,320	13.79%
Real, Industrial	19,316,550	1.02%	18,961,110	1.02%
Real and Tangible Personal, Utilities	122,247,900	6.46%	130,892,610	7.05%
Tangible Personal, Commercial	108,659,690	5.74%	107,072,820	5.76%
Tangible Personal, Industrial	61,761,690	3.26%	62,796,960	3.38%
Tangible Personal, Other	140,920	0.01%	160,120	0.01%
Tangible Personal, Mobile Homes	826,840	0.04%	874,380	0.05%
Special Inventory	690,800	0.04%	822,080	0.04%
Total Appraised Value Before Exemptions	\$ 1,893,601,700	100.00%	\$ 1,857,469,090	100.00%
Totally Exempt Property	-		-	
Total Exemptions/Reductions	(168,249,372)		(148,372,300)	
Taxable Assessed Value	\$ 1,725,352,328		\$ 1,709,096,790	

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Population	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Ratio Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2008	35,800 ⁽¹⁾	\$ 1,709,096,790	\$ 47,740	\$ 55,125,000	3.23%	\$ 1,540
2009	36,200 ⁽¹⁾	1,725,352,328	47,662	53,250,000	3.09%	1,471
2010	36,361 ⁽²⁾	1,563,581,389	43,002	86,225,000	5.51%	2,371
2011	36,390 ⁽¹⁾	1,498,202,005	41,171	84,055,000	5.61%	2,310
2012	36,420 ⁽³⁾	1,497,549,787	41,119	88,525,000 ⁽⁴⁾	5.91%	2,431

(1) Source: North Central Texas Council of Governments.

(2) Source: U.S. Census Bureau.

(3) Estimate provided by City Staff.

(4) Projected, includes the Certificates. Includes self-supporting debt. See Tables 1 and 10 herein and accompanying footnotes for more detailed information on the City's general obligation self-supporting debt. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2008	\$ 0.7375	\$ 0.6091	\$ 0.1284	\$ 12,435,678	96.33%	99.68%
2009	0.7775	0.6441	0.1334	13,298,918	95.22%	98.96%
2010	0.7775	0.6141	0.1634	12,171,705	95.78%	98.99%
2011	0.8675	0.6502	0.2173	13,040,469	97.42% ⁽¹⁾	98.25% ⁽¹⁾
2012	0.8675	0.6002	0.2673	12,991,245	NA	NA

(1) Collections through August 1, 2011.

TABLE 5 - TEN LARGEST TAXPAYERS⁽¹⁾

Name of Taxpayer	Nature of Property	2010/11 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
AT&T Communications	Utility	\$ 61,691,611	4.12%
ONCOR Electric	Utility Delivery	50,672,890	3.38%
Prologis	Warehouse/Distribution	32,232,710	2.15%
Wal-Mart	Retail	21,425,380	1.43%
SBC Advanced Solutions	Utility	13,648,510	0.91%
Brasscraft Manufacturing	Plumbing Products	13,102,476	0.87%
M&A Texas Lancaster Ltd.	Real Estate	10,500,000	0.70%
WRC Southpointe Building 1 Par	Warehouse/Distribution	10,225,990	0.68%
Brenntag Southwest, Inc.	Industrial Chemicals	9,381,660	0.63%
Pleasant Run Courtyard	Apartments	8,795,000	0.59%
		<u>\$ 251,676,227</u>	

(1) At the date hereof, a listing of the top ten taxpayers for tax year 2011/12 is unavailable.

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Certificates – Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY⁽¹⁾

2011 Principal and Interest Requirements	\$ 4,525,140
\$0.3053 Tax Rate at 99.00% Collection Produces	\$ 4,526,299
Average Annual Principal and Interest Requirements, 2011 - 2040	\$ 4,080,927
\$0.2753 Tax Rate at 99.00% Collection Produces	\$ 4,081,527
Maximum Principal and Interest Requirements, 2022	\$ 5,144,587
\$0.3471 Tax Rate at 99.00% Collection Produces	\$ 5,146,015

(1) Does not include the Certificates, less self-supporting debt. Also, includes that portion of interest offset by the refundable tax credit to be received by the City from the Department of Treasury as a result of a portion of the related outstanding obligations being designated as "Build America Bonds." See "Table 9 – Interest and Sinking Fund Budget Projection" herein.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2011/12 Taxable Assessed Value	2010/11 Tax Rate	Total G.O. Debt	Estimated % Applicable	City's Overlapping G.O. Debt As of 9-1-11	Authorized But Unissued Debt as of 9/1/2011
City of Lancaster	\$ 1,497,549,787	\$ 0.777500	\$ 64,241,531 ⁽¹⁾	100.00%	\$ 64,241,531	\$ 14,550,695
Lancaster Independent School District	1,527,718,315	1.412700	99,392,165	86.88%	86,351,913	665,000
Dallas Independent School District	75,050,783,992	1.271343	2,619,400,000	0.15%	3,929,100	2,078
Dallas County	156,266,248,986	0.228100	143,932,642	0.94%	1,352,967	6,200,000
Dallas County Community College	162,789,062,031	0.094900	396,140,000	0.94%	3,723,716	-
Dallas County Hospital District	156,435,665,588	0.274000	705,000,000	0.94%	6,627,000	42,000,000
Total Direct and Overlapping G.O. Debt					\$ 166,226,227	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					11.10%	
Per Capita Overlapping G.O. Debt					\$ 4,564.15	

(1) Does not include the Certificates, less self-supporting debt.

DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt ⁽¹⁾		The Certificates ⁽²⁾		Total Outstanding Debt	Less: W&S Self-Supporting Requirements ⁽³⁾	Less: Stormwater Self-Supporting Requirements	Less: EDC Self-Supporting Requirements	Less: LRDC Self-Supporting Requirements	Less: Airport Self-Supporting Requirements	Total Debt Less Self-Supporting Requirements	% of Principal Retired
	Principal	Interest P	Principal	Interest								
2011	\$ 2,170,000	\$ 4,865,842	\$ -	\$ -	\$ 7,035,842	\$ 1,308,223	\$ 49,013	\$ 227,750	\$ 909,299	\$ 16,418	\$ 4,525,140	
2012	2,815,000	4,164,383	300,000	267,733	7,547,117	1,650,456	48,013	228,050	906,140	16,018	4,698,440	
2013	2,985,000	4,064,178	280,000	286,073	7,615,251	1,652,495	47,013	228,150	916,645	15,618	4,755,330	
2014	3,155,000	3,946,517	285,000	280,473	7,666,990	1,651,220	50,913	228,050	920,310	15,168	4,801,329	
2015	3,215,000	3,814,140	295,000	274,773	7,598,913	1,508,220	49,713	227,750	917,398	19,543	4,876,289	16.52%
2016	3,515,000	3,669,451	300,000	265,923	7,750,373	1,605,645	48,513	227,250	917,685	18,793	4,932,487	
2017	3,705,000	3,510,268	310,000	256,923	7,782,191	1,584,643	47,313	226,550	916,179	11,644	4,995,863	
2018	3,925,000	3,338,062	320,000	247,623	7,830,685	1,583,217	46,113	230,550	918,031	11,702	5,041,072	
2019	3,355,000	3,174,947	330,000	238,023	7,097,970	787,924	49,813	229,250	927,706	11,323	5,091,954	
2020	3,535,000	3,022,937	340,000	225,648	7,123,584	786,104	48,391	227,647	925,139	11,345	5,124,959	
2021	3,715,000	2,858,703	355,000	212,048	7,140,751	787,159	46,947	225,738	925,170	11,337	5,144,400	37.45%
2022	3,900,000	2,682,858	370,000	197,848	7,150,705	787,703	50,375	228,406	928,325	11,309	5,144,587	
2023	4,075,000	2,497,457	385,000	183,788	7,141,244	794,635	48,675	230,544	925,188	11,676	5,130,527	
2024	3,990,000	2,305,384	400,000	168,580	6,863,964	792,731	46,975	227,363	925,363	11,595	4,859,938	
2025	2,840,000	2,135,712	415,000	152,180	5,542,892	734,461	50,141	228,734	-	-	4,529,556	59.25%
2026	2,970,000	1,983,594	430,000	134,750	5,518,344	730,359	48,172	229,547	-	-	4,510,266	
2027	3,110,000	1,820,730	450,000	116,045	5,496,775	734,654	51,094	229,922	-	-	4,481,105	
2028	2,795,000	1,662,088	470,000	95,795	5,022,883	565,795	-	-	-	-	4,457,088	
2029	2,930,000	1,507,791	495,000	74,175	5,006,966	569,175	-	-	-	-	4,437,791	
2030	3,055,000	1,346,555	515,000	50,910	4,967,465	565,910	-	-	-	-	4,401,555	77.60%
2031	3,195,000	1,177,579	540,000	26,190	4,938,769	566,190	-	-	-	-	4,372,579	
2032	3,340,000	1,000,282	-	-	4,340,282	-	-	-	-	-	4,340,282	
2033	1,495,000	860,880	-	-	2,355,880	-	-	-	-	-	2,355,880	
2034	1,560,000	761,165	-	-	2,321,165	-	-	-	-	-	2,321,165	
2035	1,625,000	657,206	-	-	2,282,206	-	-	-	-	-	2,282,206	90.13%
2036	1,700,000	548,678	-	-	2,248,678	-	-	-	-	-	2,248,678	
2037	1,770,000	435,418	-	-	2,205,418	-	-	-	-	-	2,205,418	
2038	1,850,000	317,261	-	-	2,167,261	-	-	-	-	-	2,167,261	
2039	1,925,000	194,045	-	-	2,119,045	-	-	-	-	-	2,119,045	
2040	2,010,000	65,606	-	-	2,075,606	-	-	-	-	-	2,075,606	100.00%
	\$ 86,225,000	\$ 64,389,718	\$ 7,585,000	\$ 3,755,496	\$ 167,955,213	\$ 46,921	\$ 827,181	\$ 3,881,250	\$ 12,878,576	\$ 193,488	\$ 122,427,796	

(1) "Outstanding Debt" does not include lease/purchase obligations. Includes that portion of interest offset by the refundable tax credit to be received by the City from the Department of Treasury as a result of a portion of the related outstanding obligations being designated as "Build America Bonds." See "Table 9 – Interest and Sinking Fund Budget Projection" herein.
(2) Average life of the issue - 11.595 years. Interest on the Certificates has been calculated at the rate of 4.21% for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax-Supported Debt Service Requirements, Fiscal Year Ending 9-30-11		\$ 4,525,140
Budgeted Interest and Sinking Fund, 9-30-10	\$ 1,081,805	
Budgeted Interest and Sinking Fund Tax Levy	3.25 1,513	
Build America Bonds Subsidy	926,763	
Estimated Investment Earnings	<u>2,550</u>	<u>5,262,631</u>
Estimated Balance, 9-30-11		\$ 737,491

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT ⁽¹⁾

Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-10	\$ 2,644,433
Less: Revenue Bonds Requirements, 2011 Fiscal Year	<u>104,775</u>
Balance Available for Other Purposes	\$ 2,539,658
System General Obligation Bond Requirements, 2011 Fiscal Year	<u>1,308,223</u>
Balance	\$ 1,231,435
Percentage of System General Obligation Bonds, Self-Supporting	100.00%
Revenue Available for Debt Service from Stormwater Fund, Fiscal Year Ended 9-30-10	\$ 114,542
Stormwater General Obligation Bond Requirements, 2011 Fiscal Year	<u>49,013</u>
Balance	\$ 65,530
Percentage of Stormwater General Obligation Bonds, Self-Supporting	100.00%
Fund Balances Available for Debt Service from LEDC, Fiscal Year Ended 9-30-10	\$ 615,102 ⁽²⁾
EDC General Obligation Bond Requirements, 2011 Fiscal Year	<u>227,750</u>
Balance	\$ 387,352
Percentage of LEDC General Obligation Bonds, Self-Supporting	100.00%
Fund Balances Available for Debt Service from LRDC, Fiscal Year Ended 9-30-10	\$ 485,464
LRDC General Obligation Bond Requirements, 2011 Fiscal Year	<u>909,299</u>
Balance	\$ (423,835) ⁽³⁾
Percentage of LRDC General Obligation Bonds, Self-Supporting	53.39%
Revenue Available for Debt Service from Airport Fund, Fiscal Year Ended 9-30-10	\$ 196,068
Airport General Obligation Bond Requirements, 2011 Fiscal Year	<u>16,418</u>
Balance	\$ 179,650
Percentage of Airport General Obligation Bonds, Self-Supporting	100.00%

(1) It is the City's current policy to pay the above-described self-supporting debt from the respective revenue sources shown above; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(2) Represents the fund balance available to pay debt service on debt that is considered self-supported debt payable from the proceeds of the ½ cent sales and use tax levied on behalf of the Lancaster Economic Development Corporation ("LEDC"). See Table 14 for a description of sales and use taxes.

(3) The deficit occurred because the debt service and operating expenses of the Lancaster Recreation Center, Library, and Senior Center - exceed the ½¢ sales tax revenue dedicated for Lancaster Recreational Development Corporation ("LRDC"). The General Fund budgets each year to cover the deficit in the LRDC. Information for fiscal year 2010 indicates that the ½¢ sales tax generated \$1,814,922; debt service was \$906,616, and the amount transferred from the General Fund was \$314,671. Any deficit in fiscal year 2011 will be eliminated through a similar transfer. If revenues are insufficient, the City is obligated to pay the debt service from ad valorem tax revenue.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount	Unissued
			Heretofore Issued	Balance
Permanent Public Improvements	11/6/2007	\$ 37,545,695	\$ 22,995,000	\$ 14,550,695

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

TABLE 12 - OTHER OBLIGATIONS

The annual requirements to amortize the capital leases as of September 30, 2010 are as follows:

Fiscal Year	Capital Leases					
	Government Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 228,406	\$ 14,647	\$ 243,053	\$ 206,069	\$ 26,043	\$ 232,112
2012	114,785	5,864	120,649	25,661	277	25,938
2013	43,730	549	44,279	-	-	-
2014	43,912	367	44,279	-	-	-
2015	44,095	184	44,279	-	-	-
Total	\$ 474,928	\$ 21,611	\$ 496,539	\$ 231,730	\$ 26,320	\$ 258,050

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

Plan Description . . . The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS: the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System.

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100%
Annuity Increase (to retirees)	70% of CPI

Contributions . . . Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of pay roll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Actuarial Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Value of Assets	\$ 26,735,438	\$ 26,431,828	\$ 29,362,600
Actuarial Accrued Liability (AAL)	\$ 42,017,867	\$ 42,814,837	\$ 45,558,535
Percentage Funded	63.6%	61.7%	64.5%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,282,429	\$ 16,383,009	\$ 16,195,935
Annual Covered Payroll	\$ 13,260,730	\$ 14,507,867	\$ 14,525,485
UAAL as percentage of Cover Payroll	115.2%	112.9%	111.5%
Net Pension Obligation (NPO) at Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual Required contribution (ARC)	\$ 1,481,222	\$ 1,727,903	\$ 1,764,806
Contribution Made	(1,481,222)	(1,727,903)	(1,764,806)
NPO at End of Period	\$ -	\$ -	\$ -

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, as follows:

	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single	30 years -	29 years -	28 years -
Amortization Period	closed period	closed period	closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

OTHER POST-EMPLOYMENT BENEFITS . . . In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

Supplemental Death Benefits . . . The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS (the "SDBF"), and the City provides this coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). Retired employees are insured for \$7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which rate is equal to the cost of providing one-year term life insurance. The City's funding policy for the SDBF is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to SDBF for the fiscal years ended September 30, 2010, 2009 and 2008, were \$25,157, \$73,918, and \$111,113, respectively, which equaled the required contributions each year.

Post-Employment Health Care . . . The City offers its retired employees that meet the eligibility requirements for the TMRS plan described above post-employment health insurance under the City's retiree health plan (the "Plan"). The retiree pays 100% of the retired employees' premium, but the employees' spouses and dependents are not covered. Spouses and eligible dependents convert to COBRA coverage once the retired employee is no longer enrolled in municipal coverage. Coverage supplements Medicare once the retiree, spouse or dependent is eligible for Medicare. As of December 31, 2009, 7 retired employees participated in the Plan. Based on the latest actuarial valuation report, as of December 31, 2009, the City had an actuarial accrued liability of \$498,266, with actuarial value of assets of \$0. As of such date, the City's actuarially-determined required annual contribution, calculated by amortizing the City's unfunded actuarial accrued liability over a period of 30 years, was approximately \$68,395, based on a 3% payroll growth rate.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Revenues					
Program Revenues					
Charges for Services	\$ 3,198,615	\$ 3,229,244	\$ 3,682,085	\$ 4,665,593	\$ 5,945,436
Operating Grants & Contributions	8,817,871	8,424,486	10,588,454	8,922,577	9,385,998
Capital Grants & Contributions	1,866,380	1,384,895	132,158	6,557,823	5,066,852
General Revenues:					
Taxes & Fees	18,566,343	19,277,229	18,280,947	16,164,303	14,610,183
Other	1,410,397	1,537,715	1,345,966	1,224,644	653,172
Total Revenues	\$ 33,859,606	\$ 33,853,569	\$ 34,029,610	\$ 37,534,940	\$ 35,661,641
Expenses					
Program Expenses:					
General Government	\$ 4,603,846	\$ 3,689,422	\$ 5,395,286	\$ 4,274,611	\$ 4,538,632
Public Safety	14,829,005	14,487,896	14,116,941	13,169,737	13,718,040
Public Works	5,678,976	4,902,806	3,162,728	3,176,963	1,129,462
Community Development and Recreation	1,317,628	1,506,422	4,290,873	3,635,543	3,937,805
Community Services	-	-	-	29,037	775
Social and Welfare	8,599,376	8,496,435	9,015,301	8,071,230	7,659,020
Non Departmental	-	-	-	1,949,265	2,703,926
Interest and Fiscal Charges	2,880,768	2,053,606	2,367,768	1,514,305	879,335
Total Expenses	\$ 37,909,599	\$ 35,136,587	\$ 38,348,897	\$ 35,820,691	\$ 34,566,995
Increase (Decrease in Net Assets Before Transfers)	\$ (4,049,993)	\$ (1,283,018)	\$ (4,319,287)	\$ 1,714,249	\$ 1,094,646
Transfers	2,381,236	1,327,236	1,327,654	794,510	(236,396)
Change in Net Assets	\$ (1,668,757)	\$ 44,218	\$ (2,991,633)	\$ 2,508,759	\$ 858,250
Net Assets - Beginning	61,263,965	61,219,747	62,459,903	58,857,192	59,398,617
Prior Period Adjustments	(1,492,019)	-	1,751,477	1,093,952	(1,399,675)
Net Assets - Ending	\$ 58,103,189	\$ 61,263,965	\$ 61,219,747	\$ 62,459,903	\$ 58,857,192

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

Revenues	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Taxes and Fees	\$ 16,014,357	\$ 16,660,858	\$ 16,011,131	\$ 15,135,141	\$ 13,684,059
Licenses and Permits	502,940	495,859	771,028	749,750	1,327,956
Intergovernmental	295,736	223,944	85,190	134,641	695,216
Charges for Services	516,420	517,691	455,084	996,431	844,018
Fines and Forfeitures	839,868	998,405	1,338,090	1,634,682	1,500,360
Interest	7,073	15,629	59,808	100,245	169,919
Miscellaneous	604,188	628,222	1,634,789	372,095	1,486,376
Total Revenues	\$ 18,780,582	\$ 19,540,608	\$ 20,355,120	\$ 19,122,985	\$ 19,707,904
Expenditures					
General Government	\$ 3,332,021	\$ 3,292,946	\$ 4,185,437	\$ 2,791,941	\$ 1,934,675
Public Safety	13,416,346	13,071,145	13,944,602	12,502,555	11,546,216
Public Works	3,243,523	2,088,899	2,753,728	1,104,224	1,012,413
Cultural and Recreational	1,010,385	1,213,686	3,907,702	3,719,050	3,668,960
Community Service	-	-	-	19,073	775
Non Departmental	360,037	79,260	-	1,606,171	2,612,449
Debt Service	54,254	-	124,619	-	-
Total Expenditures	\$ 21,416,566	\$ 19,745,936	\$ 24,916,088	\$ 21,743,014	\$ 20,775,488
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,635,984)	\$ (205,328)	\$ (4,560,968)	\$ (2,620,029)	\$ (1,067,584)
Transfers In	\$ 2,485,236	\$ 1,436,004	\$ 1,429,334	\$ 884,626	\$ 1,281,960
Transfers Out	-	-	(125,035)	(505,079)	(573,319)
Proceeds from Capital Lease	-	-	732,858	-	-
Transfer from Component Unit	-	-	-	-	-
Total Sources (Uses)	\$ 2,485,236	\$ 1,436,004	\$ 2,037,157	\$ 379,547	\$ 708,641
Net Increase (Decrease)	\$ (150,748)	\$ 1,230,676	\$ (2,523,811)	\$ (2,240,482)	\$ (358,943)
Beginning Fund Balance	3,908,328	2,677,652	3,449,986	5,567,938	5,926,881
Prior Period Adjustments	-	-	1,751,477	122,530	-
Ending Fund Balance	\$ 3,757,580	\$ 3,908,328	\$ 2,677,652	\$ 3,449,986	\$ 5,567,938

TABLE 14 - MUNICIPAL SALES TAX HISTORY

In addition to the sales and use tax levied by the State of Texas, the City levies the following local sales and use taxes for the purposes described: (i) a one percent (1%) sales and use tax the proceeds of which are credited to the General Fund of the City and are not pledged to the payment of debt; (ii) a voter-authorized one-half of one percent (1/2 of 1%) sales and use tax collected on behalf of Lancaster Recreational Development Corporation ("LRDC") for park and recreational development; (iii) a voter-authorized one-quarter of one percent (1/4 of 1%) sales and use tax collected on behalf of Lancaster Economic Development Corporation ("LEDC") for economic development and which may be pledged to the payment of debt issued by the LEDC; and (iv) a voter-authorized one-quarter of one percent (1/4 of 1%) sales and use tax for property tax reduction. Collection and enforcement of the sales and use taxes are effected through the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. **Such sales tax revenues are not pledged to the payment of the Certificates.**

DISTRIBUTION OF SALES AND USE TAXES

Property Tax Relief	0.25¢
Economic and Community Development	0.25¢
Recreational Development Corporation	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

GENERAL FUND SALES AND USE TAX

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2007	\$ 2,934,047	28.62%	\$ 0.1892	\$ 84
2008	2,776,060	22.32%	0.1624	78
2009	3,105,369	23.38%	0.1800	86
2010	3,626,995	29.80%	0.2320	100
2011 ⁽¹⁾	2,671,048	20.48%	0.1782	73

(1) Collections through August 1, 2011.

ECONOMIC DEVELOPMENT, RECREATION DEVELOPMENT AND PROPERTY REDUCTION SALES AND USE TAXES

Fiscal Year Ended Collected	1/4% Economic Development Tax Collected	1/2% Recreational Development Tax Collected	1/4% Property Reduction Tax Collected
2007	\$ 733,512	\$ 1,467,023	\$ 733,512
2008	694,015	1,388,030	694,015
2009	776,342	1,552,684	776,342
2010	906,749	1,813,497	906,749
2011 ⁽¹⁾	667,762	1,335,524	667,762

(1) Collections through August 1, 2011.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the government al fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unm atured interest on general long-term debt.

Proprietary Fund revenues and expenses are recognized on the fu ll accrual basis. Revenues are recognized in the accounting per iod in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . It is the City 's policy regarding the General Fund and Enterprise Funds that working capital resources should be maintained at a minimum of 10%, with a stated target of 15% of the Fund's operating expenditure budget. The City maintains its various debt service funds in accordance with the covenants of the bond ordinances.

Use of bond Proceeds . . . The City's policy is to use bond proceeds for capital e expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year between May and July , the City Manager analy zes, and then after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently , the City Council will hold work sessions to discuss and am end the budget to coincide with their direction of the City . Various public hearings may be held to comply with applicable law. The City Council will adopt a budget prior to September 30. If the Council fails to adopt a budget then the budget presented to the Council by the City Manager becomes the adopted budget.

During the fiscal y ear, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal y ear. Therefore, funds that were budgeted and not used by the departments during the fiscal y ear are not available for their use unless appropriated in the ensuing fiscal year's budget.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (i) that are issued by or through an institution that either has its main office or a branch office in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invest exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letter of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value, and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 15 - CURRENT INVESTMENTS

As of August 1, 2011, the City's investable funds were invested in the following categories:

Description	Percent	Market Value
TexPool	41.22%	\$ 14,571,293
Logic - Pooled Cash	22.17%	7,838,923
Logic 2010 GO Bond Fund	36.61%	12,941,644
	100.00%	\$ 35,351,860

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX MATTERS

Tax Exemption. . . In the opinion of Andrews Kurth LLP, Special Tax Counsel, interest on the Bonds is (1) excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income of the owners thereof for federal income tax purposes and (2) is not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the City with certain covenants of the ordinance authorizing the issuance of the Bonds (the "Ordinance") and has relied on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the City file an information report with the Internal Revenue Service (the "Service"). If the City should fail to comply with the covenants in the Ordinance, or if its representations relating to the Bonds that are contained in the Ordinance should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS

Discount Bonds. . . Some of the Bonds may be offered at initial offering prices which are less than the stated redemption prices at maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, an initial owner who purchases the Bonds of that maturity (the "Discount Bonds") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Bonds under the caption "TAX EXEMPTION" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner

who has purchased such Bond at the initial offering price in the initial public offering of the Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase Discount Bonds must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Bond. See "TAX EXEMPTION" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the City. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Premium Bonds. . . Some of the Bonds may be offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Bonds of such maturity ("Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265(a) of the Code provides, in general, that interest expenses incurred to acquire or carry tax-exempt obligations are not deductible from the gross income of the holder. For certain holders that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than certain private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where less than \$10 million of tax-exempt obligations are issued by the issuer during the calendar year in which the issue so designated is issued.

The City will designate the Bonds as "qualified tax-exempt obligations." Further, the City will represent that it has or will take such action necessary for the Bonds to constitute "qualified tax-exempt obligations."

Notwithstanding the designation of the Bonds as "qualified tax-exempt obligations," financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of interest expenses allocable to the Bonds.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM OBLIGATIONS

DISCOUNT CERTIFICATES . . . Some of the Certificates may be offered at an initial offering price which is less than the stated redemption price at maturity of such Certificates. If the initial offering prices of the Certificates are lower than the stated redemption price payable at maturity, the Certificates of that maturity (the "Discount Certificates") will be considered to have "original issue discount" for federal income tax purposes. An initial owner who purchases a Discount Certificate in the initial public offering of the Certificate at such an initial offering price will acquire such Discount Certificate with original issue discount equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Certificate and (b) the initial offering price to the public of such Discount Certificate. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Certificate and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Certificate continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Certificates under the caption "TAX EXEMPTION" generally applies to original issue discount deemed to be earned on a Discount Certificate while held by an owner who has purchased such Certificates at the initial offering price in the initial public offering of the Certificates and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Certificate prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Certificates in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Certificate continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Certificate will be treated for federal income tax purposes as interest on a Certificate, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Owners of a Discount Certificate may be required to take into account original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Certificate. See "TAX MATTERS" for a reference to collateral federal tax consequences for certain owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Certificate or of the City. The portion of the principal of a Discount Certificate representing original issue discount is payable upon the maturity or earlier redemption of such Certificate to the registered owner of the Discount Certificate at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Certificate is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Certificate by an owner that did not purchase such Certificate in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Certificate should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Certificates.

PREMIUM CERTIFICATES . . . Some of the Certificates may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Certificates. If any of the Certificates of such maturities are sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or underwriters) at such initial offering prices, each of the Certificates of such maturities ("Premium Certificates") will be considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis for federal income tax purposes of a Premium in the hands of an initial purchaser who purchases such Certificate in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Certificate by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Certificate by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Certificate based on the initial purchaser's original basis in such Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Certificates that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Certificates of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Certificates should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Certificates.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data which is customarily prepared by the City and is publicly available to the MSRB on an annual basis. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B to the extent that such information and financial statements are customarily prepared by the City and is publicly available (currently, information that is customarily prepared by the City and is publicly available consists of the City's annual audited financial statements and annual property tax reports). The City will update and provide this information within six months after the end of each fiscal year.

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 United States Securities and Exchange Commission (the "SEC"), as permitted by the 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 information of the type described in the preceding paragraph by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information by March 31 in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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 (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

AVAILABILITY OF INFORMATION . . . In connection with its continuing disclosure agreement entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic form in accordance

with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any 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 the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. Updated unaudited financial information of the general type included in Appendix B has, in each of the last five years, been timely filed in the form of updates to certain tables containing similar information. This information has been subsequently amended when the City's audited financial statements have become available. The City's 2005, 2006, 2007, 2008, 2009, and 2010 audited financial statements release dates were January 29, 2007, January 9, 2008, February 25, 2009, February 16, 2010, April 19, 2010, and August 22, 2011 respectively. The City has implemented several administrative changes to increase the efficiency of its annual reporting procedures and to ensure timely preparation of its annual audited financial statements.

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax supported debt of the City is rated "Aa3" by Moody's and "A" by S&P. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the United States Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates are (1) negotiable instruments, (2) investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State of Texas, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, chapter 2256), the Certificates may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of the laws in other states to determine whether the Certificates are legal investment for various institutions in those states.

LEGAL MATTERS

The delivery of the Certificates is subject to 1) the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, 2) the approving legal opinion of Bond Counsel, to like effect; and 3) the approving legal opinion of Special Tax Counsel to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The form of Bond and Special Tax Counsels' opinions are attached hereto in Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form or the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Special Tax Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Special Tax Counsel, such firm has reviewed the information under the captions "TAX MATTERS" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fees to be paid Bond and Special Tax Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinions will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

Bond and Special Tax Counsel were engaged by, and only represent the City. The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources, which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company may submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of _____ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the cover page hereof of the Official Statement at a price of par plus a cash premium of \$_____. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official statement will prove to be accurate.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by proper officers, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement, or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorizing the issuance of the Certificates will also approve the form and content of this Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Initial Purchaser.

MARCUS E. KNIGHT
Mayor
City of Lancaster, Texas

ATTEST:

DOLLE DOWNE
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

LOCATION . . . The City of Lancaster is a growing community located in south central Dallas County approximately twelve miles south of the downtown Dallas business district. The City is located near the major intersections of Interstate Highways 35, 635 and 45, providing ready access to all parts of the Dallas-Fort Worth Metroplex.

POPULATION . . . The City has grown steadily since the mid-1970's, when it was a small bedroom community.

Population history is as follows:

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1970 Census	10,612	1998	23,300
1980 Census	14,807	1999	24,300
1990 Census	22,117	2000 Census	25,894
1991	22,189	2001	26,350
1992	22,877	2002	26,400
1993	22,877	2003	26,796
1986	20,750	2004	28,700
1987	20,850	2005	31,700
1988	23,000	2006	33,450
1989	23,000	2007	35,050
1994	22,300	2008	35,800
1995	22,300	2009	36,200
1996	23,000	2010 Census	36,361
1997	23,400	2011	36,390

EDUCATION . . . Educational facilities are primarily provided by the Lancaster Independent School District. The District is comprised of a Developmental Center, five elementary, one intermediate, one junior high and one high school. All campuses in the District are accredited by the Southern Association of Colleges and Schools and the Texas Education Agency. The high school curriculum offers sound basics for college preparation with college credit available in senior-level honors courses and features a strong vocational training program. Lancaster boasts a student-to-computer ratio of four-to-one, the lowest in the Dallas area and one of the lowest nationwide. The District has been recognized nationally for its commitment to instructional technology.

Higher education facilities located within a 35-mile radius of the City include Southern Methodist University, the University of Texas at Arlington, Texas Christian University, the University of North Texas at Dallas, Northwood University, and Cedar Valley Junior College.

TRANSPORTATION . . . The City is bounded in the west by Interstate Highway 35 East, in the east by Interstate Highway 45, and in the north by Interstate Highway 635 South, and is traversed by State Highway 342. The City is served by the Lancaster Municipal Airport, M-K-T Railroad, Southern Pacific Railroad, two bus lines and five freight lines. The City is approximately 30 miles southeast of the Dallas-Fort Worth International Airport and 18 miles from Dallas Love Field.

RECREATION . . . Recreational facilities in the City are provided by four City parks covering 165 acres of land, one swimming pool, four lighted tennis courts, seven lighted ball diamonds, one youth center and several movie theaters. Country View Golf Course offers a 175-acre public golf course.

GROWTH INDICES

<u>Fiscal Year</u>	<u>Population</u>	<u>Building Permits⁽¹⁾</u>		<u>Water Customers</u>
		<u>Number</u>	<u>Value</u>	
2006	33,450	830	119,006,275	10,655
2007	35,050	360	58,349,498	10,489
2008	35,800	119	64,790,861	10,718
2009	36,200	111	21,641,764	10,800
2010	36,361	1,416	35,734,783	11,715

(1) Sources: City of Lancaster, Planning Department.

ECONOMY . . . The City has eight major industrial or commercial sites totaling over 5,300 acres available for marketing to new business and industry with all utilities available. There are four industrial parks totaling over 300 acres with all utilities in place. Lancaster Municipal Airport has undergone major changes by adding to its capacity for general aviation and offering a natural opportunity for freight-related industries. Additions include a 1,500 foot expansion to the runway (to a total of 6,500 feet), taxiway, lighting and navigational directional beacon to existing facilities.

The City is primarily a suburban residential area with industry and manufacturing becoming increasingly important to the local economy.

APPENDIX B

**EXCERPTS FROM THE
CITY OF LANCASTER, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2010**

The information contained in this Appendix consists of excerpts from the City of Lancaster, Texas Annual Financial Report for the Year Ended September 30, 2010, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.



INDEPENDENT AUDITOR'S REPORT

To Members of the City Council
and City Manager
City of Lancaster, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lancaster (the City) as of and for the year ended September 30, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administration. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position, where applicable, cash flows and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Lancaster
August 16, 2011

Page 2

The accompanying management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules on pages 3 through 11 and 47, 48,49, and 51, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining, individual non-major fund financial statements, and discretely presented component units listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual non-major and discretely presented component unit fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
August 16, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the end of the fiscal year 2010, resulting in \$104,642,340 of net assets. Net assets associated with governmental activities are approximately \$58 million, or 56% of the total net assets of the City. Net assets associated with business-type activities are approximately \$47 million, or 44% of the total net assets of the City. The largest portion of net assets consists of invested in capital assets, net of related debt, which is approximately \$90 million.
- Unrestricted net assets, which may be used to meet the City's future obligations, consist of \$8 million, or 8% of the City's total net assets. Unrestricted net assets for governmental activities are approximately \$6 million, or 10% of total net assets for governmental activities; unrestricted net assets for business activities are approximately \$2 million, or 4% of total net assets for business-type activities.
- As of the close of fiscal year 2010, the City of Lancaster's governmental funds reported a combined ending fund balance of \$25,735,296 an increase of \$27,969,592 from the prior year. A significant portion of the increase is in the capital projects fund. Bonds of \$34,995,000 were sold in fiscal year 2010 to pay for construction.
- At the end of the current fiscal year, total fund balance for the general fund was \$3,757,580. This represents approximately 18% of general fund expenditures which is more than the 15% required by the City's adopted fund balance policy. Of this amount, 95.40% is available for spending at the government's discretion (unreserved fund balance).
- The City's total capital assets net of accumulated depreciation increased by approximately \$9 million which is primarily attributed to additions to the construction of City buildings and improvements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Lancaster's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the City of Lancaster finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of Lancaster's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lancaster is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example uncollected taxes and earned, but not used, vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, public works, drainage systems, library, human resources and finance. The business-type activities of the City include water and sewer, airport operations, refuse, and golf course operations.

The government-wide financial statements include the Economic Development Corporation and the Recreational Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The Lancaster Economic Development Corporation and the Lancaster Recreational Development Corporation are legally separate entities.

The government-wide financial statements can be found on pages 12 through 14 of this report.

Fund Financial Statements The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City Council also establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities when using certain taxes, grants, or other money. The City's two kinds of funds – Governmental and Proprietary – utilize different accounting approaches.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Governmental Funds The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships, or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds, are detailed in a reconciliation following the fund financial statements.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, HUD Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City of Lancaster maintains an Enterprise Fund to account for (1) water and sewer services provided to the City's retail and wholesale customers, (2) trash collection and disposal services, (3) operation of the City's airport, and (4) operation of the City's golf course. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that the cost of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private business enterprise.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 46 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Other Information In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations. Required supplementary information immediately follows the notes to the financial statements. Combining statements for non-major governmental funds and component unit fund financial statements follow the section of required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2010, the City of Lancaster assets exceeded its liabilities by \$104,642,340.

The largest portion of the City's net assets, 86%, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, 6%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$7,997,135 or 8%, may be used to meet the City's ongoing obligations to citizens and creditors.

STATEMENT OF NET ASSETS FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	Governmental Activities 2010	Business-type Activities 2010	Total 2010	Governmental Activities 2009	Business-type Activities 2009	Total 2009
Current and Other Assets	\$ 43,318,779	\$ 10,048,366	\$ 53,365,145	\$ 15,805,224	\$ 16,779,058	\$ 31,584,283
Capital Assets	99,407,988	47,685,560	147,093,548	94,214,821	43,713,430	137,928,251
Total Assets	\$ 142,724,765	\$ 57,733,926	\$ 200,458,691	\$ 110,020,045	\$ 58,492,488	\$ 168,512,534
Long-Term Liabilities	\$ 80,565,819	9,468,374	\$ 90,035,193	\$ 45,441,312	\$ 10,541,373	\$ 55,982,685
Other Liabilities	4,054,757	1,728,401	5,781,158	3,314,768	1,641,803	4,956,571
Total Liabilities	\$ 84,621,576	\$ 11,194,775	\$ 95,816,351	\$ 48,756,080	\$ 12,183,178	\$ 60,939,258
Net Assets:						
Invested in Capital assets, net of Related Debt	\$ 51,819,877	\$ 38,435,110	\$ 90,254,987	\$ 40,366,067	\$ 33,853,811	\$ 74,019,878
Restricted	222,782	6,187,456	6,390,218	820,279	8,059,825	6,680,104
Unrestricted	8,080,550	1,936,586	7,997,135	20,277,819	7,595,677	27,873,296
Total Net Assets	\$ 58,103,189	\$ 46,539,151	\$ 104,642,340	\$ 81,263,965	\$ 47,309,313	\$ 108,573,278

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Analysis of City's Operations The following table provides a summary of the City's operations for the year ended September 30, 2010. Overall, the City had a decrease in net assets of \$3,930,938.

REVENUES AND EXPENSES FOR GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	Governmental Activities 2010	Business-type Activities 2010	Total 2010	Governmental Activities 2009	Business-type Activities 2009	Total 2009
REVENUES:						
Program Revenues:						
Charges for Services	\$ 3,198,815	\$ 13,372,728	\$ 16,571,543	\$ 3,229,244	\$ 12,957,175	\$ 16,186,419
Operating Grant & Contribution	8,817,871	382,800	9,200,671	8,424,486	30,895	8,455,381
Capital Grants & Contributions	1,866,380	685,384	2,431,744	1,384,895	530,710	1,915,605
General Revenue						
Taxes & Fees	18,586,343	-	18,586,343	18,277,229	-	19,277,229
Others	1,410,397	40,060	1,450,457	1,537,715	62,271	1,599,986
Total Revenues	33,858,806	14,380,752	48,220,358	33,853,599	13,570,851	47,424,420
Program Expenses						
General Government	4,803,846	-	4,803,846	3,686,422	-	3,689,422
Public Safety	14,829,005	-	14,829,005	14,487,896	-	14,487,896
Public Works	5,678,978	-	5,678,978	4,902,806	-	4,902,806
Community Development and Recreation	1,317,629	-	1,317,628	1,508,422	-	1,508,422
Social and Welfare	8,599,376	-	8,599,376	8,498,435	-	8,498,435
Interest and Fiscal Charges	2,880,788	-	2,880,788	2,053,806	-	2,053,806
Water & Sewer	-	10,082,971	10,082,971	-	9,621,112	9,621,112
Refuse	-	1,789,530	1,789,530	-	135,276	135,276
Airport	-	810,211	810,211	-	1,247,727	1,247,727
Golf Course	-	88,986	88,986	-	923,923	923,923
Total Expenses	37,909,599	12,749,876	50,659,277	35,136,587	11,928,038	47,064,625
Increase (decrease) in net assets						
before transfers	(4,049,993)	1,811,074	(2,438,919)	(1,283,018)	1,842,613	358,795
Transfers	2,381,236	(2,381,236)	-	1,327,236	(1,327,236)	-
Change in Net Assets	(1,668,757)	(770,162)	(2,438,919)	44,218	315,577	359,796
Net Assets - Beginning	81,283,966	47,309,313	108,573,278	81,219,747	46,893,738	108,213,483
Prior Period Adjustment	(1,492,019)	-	(1,492,019)	-	-	-
Net Assets - Beginning, as Restated	59,771,946	47,309,313	107,081,258	81,219,747	46,893,738	108,213,483
Net Assets - Ending	\$ 58,103,189	\$ 46,539,151	\$ 104,642,340	\$ 81,263,965	\$ 47,309,313	\$ 108,573,278

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$25,735,296, an increase of \$27,969,592 from the prior year. This amount includes fund balance reserved for debt service of \$1,081,805 and reserved for inventory and prepaid items of \$690,548. The net unreserved fund balance was \$23,796,351, an increase of \$26,784,821 from prior year. The majority of this increase was due to the sale of bonds in fiscal year 2010 to pay for construction.

In the General Fund, the original budget projected a \$44,241 increase in fund balance this fiscal year, however the actual decrease was \$150,748. The largest area of decrease was in building permit fees which is related to the national housing crisis and recession.

The HUD Fund has a total fund balance of \$960,264 an increase of \$76,186 from the prior year. The budget includes a planned reduction in housing assistance based on a decrease in revenues from HUD due to overall economic conditions.

Proprietary Funds The City's proprietary fund statements provide detail on the City's individual business-like activities.

Unrestricted net assets of the proprietary funds at the end of the year were \$1,936,585. The total decrease in net assets was \$0.8 million from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Capital Assets The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amount to \$147,093,546 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, roads, bridges and water and sewer lines.

	Governmental Activities		Business-Type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Land	\$ 11,999,383	\$ 12,337,857	\$ 3,596,261	\$ 4,879,781	\$ 15,595,644	\$ 17,217,638
Buildings	22,769,952	24,487,196	4,867,634	4,941,048	27,637,586	29,428,244
Equipment	14,608,568	15,425,946	2,858,003	2,803,307	17,266,571	18,229,253
Construction In Progress	4,037,011	3,779,844	1,945,797	4,562,786	5,982,806	8,342,610
Other Structures	-	-	936,717	951,622	936,717	951,622
Improvements	1,660,169	1,660,169	54,967,088	55,664,932	56,627,257	57,325,101
Streets and Bridges	77,348,463	83,660,110	-	-	77,348,463	83,860,110
Drainage	7,319,619	7,319,619	-	-	7,319,619	7,319,619
Runways & Taxiways	-	-	2,796,087	3,410,079	2,796,087	3,410,079
Accumulated Depreciation	(45,526,344)	(49,482,755)	(28,054,157)	(29,527,975)	(73,580,501)	(78,990,730)
Total	\$ 94,214,821	\$ 99,407,986	\$ 43,713,430	\$ 47,685,560	\$ 137,928,251	\$ 147,093,546

Long-term Debt At the end of the current fiscal year, the City had total bonds outstanding of \$86,455,002. Of this amount \$86,005,002 is tax supported debt. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

	Governmental Activities		Business-Type Activities		Totals	
	2009	2010	2009	2010	2009	2010
General Obligation Bonds	\$ 30,181,531	\$ 52,441,531	\$ 6,153,471	\$ 5,648,471	\$ 38,335,002	\$ 58,090,002
Certificates of Obligation	13,710,000	25,345,000	2,770,000	2,570,000	16,480,000	27,915,000
Notes payable	-	-	417,356	152,560	417,356	152,560
Revenue Bonds	-	-	530,000	450,000	530,000	450,000
Capital Leases	715,197	498,961	452,545	447,600	1,167,742	948,561
Total	\$ 44,606,728	\$ 78,285,492	\$ 10,323,372	\$ 9,268,631	\$ 54,930,100	\$ 87,554,123

The City's total long-term debt increased by \$32,624,023, during the current fiscal year.

- o The City has an A2 rating from Moody's Investors Service and an A rating from Standard and Poor's.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Long-term Debt - continued

- o The City issued \$22,995,000 General Obligation Bonds, Taxable Series 2010A (Build America Bonds – Direct Payment) and \$12,000,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Taxable Series 2010A (Build America Bonds – Direct Payment) on March 15, 2010 and payable on February 15 and August 15 of each year, commencing on February 15, 2011, until maturity or prior redemption.

Proceeds from the sale of the Bonds will be used for (i) constructing and equipping permanent public improvements, and (ii) to pay the costs associated with the issuance of the Bonds.

Proceeds from the sale of the Certificates will be used for: (a) improvements to the Lancaster Municipal airport; (b) acquisition of land at the south end of the runway for the expansion of the Lancaster Municipal Airport; (c) City-wide park design, renovations, improvements and equipping of such parks; (d) City-wide hike and bike trail design and construction, and equipping of such trails; (e) City-wide sidewalk design and construction; (f) Design, construction and the equipping thereof of a retaining wall in the Westwood neighborhood, including drainage improvements incidental thereto; (g) Design of the Nokomis Road Bridge at Ten Mile Creek; (h) Street and alley design, improvements and the equipping thereof, including drainage improvements incidental thereto; (i) Acquisition of the right-of-way for Longhorn Drive to extend it to the I-20 Service Road; (j) Design, renovation and improvements to Historic Town Square and the Municipal Court, including the beautification, improvements, landscaping, the addition of sidewalks and parking lots, infrastructure improvements, and the equipping thereof; (k) Purchase of police cars and fleet trucks; and (l) payment for professional services rendered in connection with the above listed projects.

The City has designated all of each series of the Bonds and Certificates as "Build America Bonds" under and pursuant to the Federal American Recovery and Reinvestment Act of 2009, and in accordance with the guidance included in the Internal Revenue Service's Notice 2009-26, effective as of April 3, 2009, and has irrevocably elected to receive directly from the United States Department of the Treasury direct subsidy payments equal to 35% of the interest payable by the City.

Economic Factor and Next Year's Budgets and Rates

In the fiscal year 2011 budget, general fund revenues are budgeted to decrease by 4.0% from the 2010 budget year. This decrease is mostly attributed to a decrease in fines and forfeitures and licenses and permits due to current economic conditions.

Property taxes make up about 46% of budgeted revenues and sales tax make up about 20% of budgeted revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF LANCASTER, TEXAS
SEPTEMBER 30, 2010**

Request for Information

For additional information please contact Director of Finance, Sheree Haynes, at 972-218-1333 or Finance Department, City of Lancaster, Texas, P.O. Box 940 Lancaster, TX 75146, email shaynes@lancaster-tx.com.

BASIC FINANCIAL STATEMENTS

**CITY OF LANCASTER
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
ASSETS					
Cash and cash equivalents	\$ 25,583,638	\$ 7,228,489	\$ 32,812,105	\$ 2,339,745	\$ 25,422
Receivables (net of allowance)					
Notes	12,405,000	-	12,405,000	-	-
Delinquent taxes	1,181,333	-	1,181,333	-	-
Accounts	1,045,301	1,737,883	2,783,184	-	26
Sales tax	781,294	-	781,294	149,996	312,518
Fines	113,580	-	113,580	-	-
Due from other governments	13,092	-	13,092	-	-
Due from component unit	528,753	-	528,753	-	-
Prepaid items	686,637	-	686,637	-	-
Inventory	3,911	46,175	50,086	-	-
Debt issuance costs	974,242	282,282	1,256,524	-	-
Restricted assets:					
Cash and cash equivalents	-	753,557	753,557	-	-
Capital assets:					
Land and construction in progress	16,117,701	9,442,547	25,560,248	100,378	989,118
Other capital assets, net of accumulated depreciation	83,290,285	36,243,013	121,533,298	-	12,916,728
Total assets	142,724,765	57,733,926	200,458,691	2,590,119	14,243,812
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts and contracts payable	1,714,549	640,613	2,355,162	4,657	45,634
Accrued liabilities	699,862	278,597	978,459	7,549	78,250
Accrued interest	1,099,766	53,634	1,153,400	14,381	50,398
Due to primary government	-	-	-	-	528,753
Deposits	75,580	753,557	829,137	-	-
Deferred Revenue	465,000	-	465,000	-	-
Noncurrent liabilities:					
Due within one year	1,692,380	1,374,571	3,266,951	115,000	515,000
Due in more than one year	78,674,439	8,093,803	86,768,242	2,655,000	9,120,000
Total Liabilities	84,621,578	11,194,775	95,816,351	2,796,587	10,338,035
Net Assets:					
Invested in capital assets, net of related debt	51,819,877	38,435,110	90,254,987	100,378	4,270,846
Restricted for debt service	222,762	731,987	954,749	-	-
Restricted for capital	-	5,435,469	5,435,469	-	-
Unrestricted	6,060,550	1,936,585	7,997,135	(306,846)	(365,069)
Total Net Assets	\$ 58,103,189	\$ 46,539,151	\$ 104,642,340	\$ (206,468)	\$ 3,905,777

The Notes to Financial Statements are an integral part of these statements.

**CITY OF LANCASTER
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2010**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,603,848	\$ -	\$ -	\$ -
Public safety	14,829,005	1,759,747	-	59,316
Public works	5,678,976	920,381	-	898,883
Community development and recreation	1,317,628	518,507	3,234	908,181
Social and welfare	8,599,376	-	8,814,837	-
Interest and fiscal charges	2,880,768	-	-	-
Total governmental activities	37,909,599	3,198,615	8,817,871	1,866,380
Business-type activities:				
Water and sewer	10,082,971	10,924,181	-	565,364
Refuse	1,769,530	1,799,068	-	-
Airport	810,211	576,949	382,600	-
Golf course	86,966	72,550	-	-
Total business-type activities	12,749,678	13,372,728	382,600	565,364
Total primary government	\$ 50,659,277	\$ 16,571,343	\$ 9,200,471	\$ 2,431,744
Component Units:				
Lancaster Economic Development Corporation	\$ 411,082	\$ -	\$ -	\$ -
Lancaster Recreational Development Corporation	2,988,063	480,677	22,996	-
	\$ 3,399,145	\$ 480,677	\$ 22,996	\$ -

GENERAL REVENUES:

Taxes:
 Property taxes
 Sales taxes
 Franchise taxes
 Other local taxes
Interest on Investments
Miscellaneous
Transfers

Total general revenues and transfers

Change in net assets
NET ASSETS (DEFICIT), beginning of year
PRIOR PERIOD ADJUSTMENT
NET ASSETS (DEFICIT), end of year

The Notes to Financial Statements are an integral part of these statements.

**Net (Expense) Revenue and
Changes In Net Assets**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
\$ (4,603,846)	\$ -	\$ (4,603,846)	\$ -	\$ -
(13,009,942)	-	(13,009,942)	-	-
(3,859,732)	-	(3,859,732)	-	-
112,294	-	112,294	-	-
215,261	-	215,261	-	-
(2,880,768)	-	(2,880,768)	-	-
(24,026,733)	-	(24,026,733)	-	-
-	1,406,554	1,408,554	-	-
-	29,538	29,538	-	-
-	149,338	149,338	-	-
-	(14,416)	(14,416)	-	-
-	1,571,014	1,571,014	-	-
<u>\$ (24,026,733)</u>	<u>\$ 1,571,014</u>	<u>\$ (22,455,719)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (411,082)	\$ -
-	-	-	-	(2,484,390)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (411,082)</u>	<u>\$ (2,484,390)</u>
12,194,286	-	12,194,286	-	-
4,532,558	-	4,532,558	906,511	1,814,922
1,722,966	-	1,722,966	-	-
116,535	-	116,535	-	-
36,118	15,963	52,081	2,973	7
1,374,279	24,097	1,398,376	-	8,536
2,381,238	(2,381,238)	-	-	-
<u>22,357,976</u>	<u>(2,341,176)</u>	<u>20,016,800</u>	<u>909,484</u>	<u>1,823,465</u>
(1,868,757)	(770,162)	(2,438,919)	498,402	(860,925)
61,263,965	47,309,313	108,573,278	(704,870)	4,566,702
(1,492,019)	-	(1,492,019)	-	-
<u>\$ 58,103,189</u>	<u>\$ 46,539,151</u>	<u>\$ 104,642,340</u>	<u>\$ (206,468)</u>	<u>\$ 3,905,777</u>

**CITY OF LANCASTER
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

ASSETS	General Fund	HUD Fund	Capital Projects Fund	General Obligation Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,235,147	\$ 1,027,265	\$ 20,062,809	\$ 1,054,451	\$ 204,164	\$ 25,583,636
Receivables (net of allowance for uncollectibles):						
Notes	-	-	-	12,405,000	-	12,405,000
Delinquent taxes	906,504	-	-	288,077	6,752	1,181,333
Accounts	458,952	-	382,600	-	205,749	1,045,301
Sales tax	781,294	-	-	-	-	781,294
Fines	113,580	-	-	-	-	113,580
Due from:						
Other funds	-	-	-	-	38,051	38,051
Other governments	13,092	-	-	-	-	13,092
Component unit	528,753	-	-	-	-	528,753
Inventory, at cost	3,911	-	-	-	-	3,911
Prepaid items	2,411	-	-	-	684,226	688,637
TOTAL ASSETS	\$ 6,041,644	\$ 1,027,265	\$ 20,445,209	\$ 13,727,528	\$ 1,138,942	\$ 42,380,588
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and contracts payable	\$ 620,040	\$ 10,627	\$ 1,017,047	\$ -	\$ 66,836	\$ 1,714,549
Accrued liabilities	588,849	66,374	-	-	54,639	699,862
Deposits	75,580	-	-	-	-	75,580
Due to:						
Other funds	-	-	-	-	38,051	38,051
Deferred revenue	999,595	-	-	12,845,723	471,932	14,117,250
Total liabilities	2,284,064	67,001	1,017,047	12,845,723	631,467	16,645,292
Fund balances:						
Reserved for:						
Debt service	-	-	-	1,081,805	-	1,081,805
Inventory and prepaid items	6,322	-	-	-	884,226	690,548
Court technology	35,871	-	-	-	-	35,871
Westwood wall	30,000	-	-	-	-	30,000
Unreserved, designated reported in:						
General fund	100,721	-	-	-	-	100,721
Unreserved and undesignated	3,584,668	980,264	19,428,162	-	(176,741)	23,796,351
Total fund balances	3,757,580	980,264	19,428,162	1,081,805	507,485	25,735,296
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,041,644	\$ 1,027,265	\$ 20,445,209	\$ 13,727,528	\$ 1,138,942	\$ 42,380,588

The Notes to Financial Statements are
an integral part of these statements.

**CITY OF LANCASTER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2010**

Total fund balance-governmental funds	\$ 26,735,296
Amounts reported for governmental activities in the statement of net assets are different because:	
Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and are capitalized and amortized over the life of the debt in the government-wide statements.	974,242
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	99,407,986
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(1,099,766)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	1,247,250
Notes receivable are not measurable and available within sixty days of year end, and therefore are entirely deferred in the fund financial statements.	12,405,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:	
General obligation bonds	(52,441,531)
Certificates of obligation bonds	(25,345,000)
OPEB liability	(23,320)
Premium payable	(291,946)
Capital lease	(498,961)
Compensated absences	(2,733,874)
Deferred loss on refunding	<u>767,813</u>
Total net assets - governmental activities	<u>\$ 58,103,189</u>

The Notes to Financial Statements are an integral part of these statements.

**CITY OF LANCASTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	HUD Fund	Capital Projects Fund	Obligation Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes and fees	\$ 18,014,357	\$ -	\$ -	\$ 2,555,547	\$ 1,068,475	\$ 19,638,379
Licenses and permits	502,940	-	-	-	305,005	807,945
Intergovernmental	295,738	8,733,102	808,881	1,133,868	299,500	11,070,885
Charges for services	518,420	-	-	-	-	518,420
Fines and forfeits	839,868	-	87,029	-	-	906,897
Interest	7,073	1,878	24,582	2,081	723	36,118
Miscellaneous	804,188	81,575	-	10,102	31,597	727,462
Total revenues	18,780,582	8,816,358	700,292	3,701,578	1,706,300	33,704,108
EXPENDITURES:						
Current:						
General government	3,332,021	-	-	-	-	3,332,021
Public safety	13,416,346	-	338	-	589,743	14,006,428
Public works	3,243,523	-	-	-	761,607	4,005,130
Community development and recreation	1,010,385	-	-	-	178,302	1,188,687
Social and welfare	-	8,599,376	-	-	-	8,599,376
Capital outlay	380,037	78,794	7,337,728	-	449,993	8,226,562
Debt service:						
Principal retirement	54,254	-	-	1,291,236	25,000	1,370,490
Interest and fiscal charges	-	-	443,781	1,915,247	25,038	2,384,066
Total expenditures	21,418,586	8,678,170	7,781,848	3,208,483	2,027,883	43,110,760
Excess (deficiency) of revenues over (under) expenditures	(2,635,984)	138,188	(7,081,556)	495,093	(322,383)	(9,408,644)
Other financing sources (uses):						
Operating transfers in	2,485,236	-	-	-	-	2,485,236
Operating transfers out	-	(82,000)	-	-	(42,000)	(104,000)
Bonds issued	-	-	34,985,000	-	-	34,985,000
Total other financing sources (uses)	2,485,236	(82,000)	34,985,000	-	(42,000)	37,378,236
Net change in fund balances	(150,748)	78,186	27,813,444	495,093	(384,383)	27,868,592
Fund balances, beginning of year	3,908,328	884,078	(8,485,282)	588,712	871,868	(2,234,296)
Fund balances, end of year	\$ 3,757,580	\$ 960,264	\$ 19,428,162	\$ 1,081,805	\$ 507,485	\$ 26,735,298

The Notes to Financial Statements are
an integral part of these statements.

**CITY OF LANCASTER
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds		\$ 27,969,592
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the amount of capital outlay recorded as capital assets in the current period.		8,230,693
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		898,883
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(3,936,411)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	\$ 1,100,000	
Capital leases	216,236	1,316,236
The issuance of long term debt, such as bonds and capital leases, are shown as "Other Sources" and "Other Uses" in the governmental funds, but are shown on the statement of net assets with related costs amortized over the life of the bonds. Differences consist of the following:		
Issuance of Bonds	\$ (34,995,000)	
Bond Issuance Costs	443,781	
Amortization of issuance costs	(38,787)	
Amortization of refunding loss	(65,664)	
Amortization of bond premium/discount	13,605	(34,832,065)
Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		87,335
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(859,637)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(743,383)
Change in net assets of governmental activities		\$ (1,668,757)

The Notes to Financial Statements are an integral part of these statements.

**CITY OF LANCASTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

ASSETS	Water and Sewer	Non-major Enterprise Funds	Total Proprietary Funds
Current assets:			
Cash and cash equivalents	\$ 6,980,140	\$ 248,329	\$ 7,228,469
Receivables (net of allowance for uncollectibles):			
Accounts	844,700	130,259	974,959
Unbilled	675,718	87,206	762,924
Due from other funds	2,851,393	-	2,851,393
Inventory	-	46,175	46,175
Total current assets	11,351,951	511,969	11,863,920
Restricted assets:			
Cash	753,557	-	753,557
Deferred bond issuance costs	279,183	3,099	282,282
Capital assets:			
Non-depreciable	4,648,327	4,794,220	9,442,547
Depreciable (net of accumulated depreciation)	34,546,311	3,696,702	38,243,013
TOTAL ASSETS	51,579,329	9,005,990	60,585,319
LIABILITIES			
Current liabilities:			
Accounts and contracts payable	352,416	288,197	640,613
Accrued liabilities	248,427	30,170	278,597
Accrued Interest	51,385	2,249	53,634
Due to other funds	-	2,851,393	2,851,393
Deposits	753,557	-	753,557
Total current liabilities	1,405,785	3,172,009	4,577,794
Non-current liabilities:			
Due within one year	1,282,910	91,661	1,374,571
Due in more than one year	7,877,937	215,866	8,093,803
Total non-current liabilities	9,160,847	307,527	9,468,374
TOTAL LIABILITIES	10,566,632	3,479,536	14,046,168
NET ASSETS			
Invested in capital assets, net of related debt	30,092,306	8,342,804	38,435,110
Restricted for debt service	731,987	-	731,987
Restricted for capital	5,435,489	-	5,435,469
Unrestricted	4,752,935	(2,816,350)	1,936,585
TOTAL NET ASSETS	\$ 41,012,697	\$ 5,526,454	\$ 46,539,151

The Notes to Financial Statements are an integral part of these statements.

**CITY OF LANCASTER
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	Water and Sewer Fund	Non-major Enterprise Funds	Total
OPERATING REVENUES:			
Charges for services	\$ 10,676,700	\$ 2,448,567	\$ 13,125,267
Intergovernmental	-	382,800	382,800
Miscellaneous	139,830	-	139,830
Total operating revenues	10,816,530	2,831,167	13,647,697
OPERATING EXPENSES:			
Personnel services	1,244,262	216,747	1,461,009
Maintenance	411,567	157,673	569,240
Purchase of water	2,197,353	-	2,197,353
Materials and supplies	70,754	298,892	369,646
Heat, light and power	147,403	33,215	180,618
Depreciation	1,384,054	89,764	1,473,818
Benefit payments	395,544	56,325	451,869
Sewage treatment	3,520,703	-	3,520,703
Special services	301,678	1,760,565	2,062,243
Equipment rental	6,071	29,726	35,797
Total operating expenses	9,679,389	2,642,907	12,322,296
OPERATING INCOME	1,137,141	188,260	1,325,401
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	15,607	356	15,963
Interest and fiscal charges	(403,582)	(23,800)	(427,382)
Impact fee revenue	107,631	-	107,631
Other nonoperating revenue	-	24,097	24,097
Total nonoperating revenues (expenses)	(280,344)	653	(279,691)
INCOME BEFORE TRANSFERS	856,797	188,913	1,045,710
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	565,364	-	565,364
Operating transfers out	(2,374,236)	(7,000)	(2,381,236)
Total contributions and transfers	(1,808,872)	(7,000)	(1,815,872)
CHANGE IN NET ASSETS	(952,075)	181,913	(770,162)
NET ASSETS, BEGINNING OF YEAR	41,964,772	5,344,541	47,309,313
NET ASSETS, END OF YEAR	\$ 41,012,697	\$ 5,526,454	\$ 46,539,151

The Notes to Financial Statements are an integral part of these statements.

**CITY OF LANCASTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010**

	Water and Sewer Fund	Non-major Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 10,741,980	\$ 2,805,982	\$ 13,547,962
Receipts from other funds	5,005,178	2,048,817	7,051,995
Payments to employees	(1,844,718)	(287,174)	(1,911,892)
Payments to suppliers	(6,658,352)	(2,234,571)	(8,890,923)
Net cash provided by operating activities	<u>7,448,068</u>	<u>2,351,054</u>	<u>9,797,122</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(2,814,013)	(2,088,571)	(4,880,584)
Principal payments on debt	(775,000)	(274,796)	(1,049,796)
Interest payments on debt	(405,546)	(23,830)	(429,376)
Payments on capital leases	(4,945)	-	(4,945)
Impact fees collected	107,631	-	107,631
Net cash used in capital and related financing activities	<u>(3,891,873)</u>	<u>(2,385,197)</u>	<u>(8,257,070)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers out to other funds	(2,374,238)	(7,000)	(2,381,238)
Proceeds from other nonoperating revenue	-	24,097	24,097
Net cash provided by (used in) noncapital financing activities	<u>(2,374,238)</u>	<u>17,097</u>	<u>(2,357,139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	15,607	356	15,963
Net increase in cash and cash equivalents	1,195,566	3,310	1,198,876
Cash and cash equivalents, beginning of year	6,538,131	245,019	6,783,150
Cash and cash equivalents, end of year	<u>\$ 7,733,697</u>	<u>\$ 248,329</u>	<u>\$ 7,982,026</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted cash and cash equivalents	\$ 6,980,140	\$ 248,329	\$ 7,228,469
Restricted cash and cash equivalents	753,557	-	753,557
Total cash and cash equivalents	<u>\$ 7,733,697</u>	<u>\$ 248,329</u>	<u>\$ 7,982,026</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 1,137,141	\$ 188,260	\$ 1,325,401
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,384,054	89,350	1,473,404
Provision for bad debts	141,992	-	141,992
Change in assets and liabilities:			
Accounts receivable	(269,669)	(25,185)	(294,854)
Due to/ from other funds	5,005,178	2,048,817	7,051,995
Prepays	-	10,534	10,534
Accounts and contracts payable	(697)	18,502	17,805
Accrued liabilities	(126)	16,977	16,851
Deposits	53,107	-	53,107
Compensated absences	(4,912)	5,799	887
Net cash provided by operating activities	<u>\$ 7,448,068</u>	<u>\$ 2,351,054</u>	<u>\$ 9,797,122</u>

The Notes to Financial Statements are an integral part of these statements.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Lancaster are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Lancaster (City) was incorporated in 1853. The City operates as a home-rule city, under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer utilities, sanitation, health and social services, parks and recreation, public improvements, airport, golf course, planning and zoning, and general administrative services.

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement 14, "The Financial Reporting Entity" as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units". GASB Statement 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (A) the primary government must be able to impose its will, or (B) the primary government may potentially benefit financially or be financially responsible for the component unit.

The Lancaster Economic Development Corporation (Economic) and the Lancaster Recreational Development Corporation (Recreational) are nonprofit industrial development corporations formed in July and October, 1995; respectively, under the Development Corporation Act of 1979. Both Economic and Recreational are organized exclusively for the purposes of benefiting and accomplishing public purposes, and to act on behalf of the City. This includes the construction and renovation of municipal buildings, the acquisition, improvement and operation of parks as well as other economic development purposes. The affairs of these corporations are managed by two separate boards of directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. Economic and Recreational have been discretely presented in the accompanying financial statements. Separate financial statements of the individual component units are not available.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basis of Presentation – Continued

HUD Fund - The HUD Fund is used to account for funds from grants received from the U.S. Department of Housing and Urban Development and transactions relating to the Lancaster Housing Agency. The Lancaster Housing Agency provides housing assistance to low income families

Capital Projects Fund – The Capital Projects Fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Obligation Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and for the payment of general long-term debt principal, interest, and related costs, as well as the payment of lease/purchase items. The revenue source is principally ad valorem taxes levied by the City and transfers in for the payment of lease/purchases.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement Focus

Measurement focus is the accounting convention, which determines which assets, and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information per fund.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus, which means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus, which means only current assets and current liabilities are generally included on their balance sheets.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus – Continued

Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary funds are accounted for on a "net income and capital maintenance" measurement focus. This means that all assets, liabilities, equity, revenues, expenses and transfers relating to the activity of a proprietary fund are accounted for through the proprietary fund. The measurement focus is upon the determination of net income, financial position and cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are considered to be susceptible-to-accrual. Licenses and permits, charges for services (except for sanitation services), fines and forfeits and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and intergovernmental revenue are recorded as earned since they are measurable and available.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Cash Flows Statement

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be all unrestricted cash and certificates of deposit with an original maturity date of three months or less.

F. Investments

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash and investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported at amortized cost. Nonparticipating contracts are reported at cost. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds and certificates of deposits within established criterion.

G. Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2010 were \$229,749 for uncollectible taxes, \$961,877 for water and sewer billings, \$75,730 for court fees and fines, and \$665,800 for ambulance fees is reflected in the financial statements.

H. Inventory

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out) for governmental funds. Inventories in the General Fund consist of expendable supplies.

I. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent year.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

K. Transactions Between Funds

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized on Proprietary Fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expenses incurred from the date of the borrowing unit until completion of the project with interest earned on Invested proceeds over the same period.

Assets capitalized have a useful life of over one year. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. Estimated useful lives of major categories of property are

Plants and buildings	25 years
Other structures	10-50 years
Machinery and equipment	6-10 years

M. Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts up to a maximum of 20 days per year for employees with 10 or more years of service. Unused vacation leave carried forward from one year to the next is limited to 260 hours.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Accumulated Unpaid Vacations, Sick Leave and Other Employee Benefit Amounts – Continued

The liability for unused vested vacation leave as of September 30, 2010, is shown as a liability for compensated absences in the applicable governmental or business-type activities columns in the government-wide statements and in the fund financial statements for the proprietary funds. The amount to be paid from current available financial resources is not considered significant.

NOTE 2. CASH AND INVESTMENTS

At year-end, the carrying amount of the City's bank deposits was \$1,749,250 (composed of \$1,574,210 related to the primary government and \$175,040 related to discretely presented component units) and the bank balances were \$2,094,161. The bank balances on September 30, 2010 were entirely covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies and repurchase agreements and municipal pools. During the year ended September 30, 2010, the City did not own any types of securities other than those permitted by the statute.

Governmental investments are categorized as either (1) insured or registered for which securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

During the year ended September 30, 2010 the City invested in Texpool and LOGIC funds. Texpool is an investment fund authorized by the Texas Legislature and administered by the Texas State Treasury. The Texas Treasury Safekeeping Trust Company is the trustee and is a limited purpose trust company authorized pursuant to Texas Government Code. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly the fair value of the position in TexPool is the same as the value of TexPool shares. Texpool is rated as a AAA money market fund by Standard and Poor's and Moody's.

Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Credit Risk

In compliance with the City's Investment Policy as of September 30, 2010, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers, and advisors with which the City does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Investments at year end are shown below:

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>
Primary Government			
Texpool	\$ 12,946,363	\$ 12,946,363	0.003
LOGIC	<u>19,045,089</u>	<u>19,045,089</u>	0.003
Total Primary Government	<u>31,991,452</u>	<u>31,991,452</u>	
Component Units			
Texpool	1,540,145	1,540,145	0.003
LOGIC	<u>649,982</u>	<u>649,982</u>	0.003
Total Component Units	<u>2,190,127</u>	<u>2,190,127</u>	
Total	<u>\$ 34,181,579</u>	<u>\$ 34,181,579</u>	

NOTE 3. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. Tax collections for the year ended September 30, 2010, were 97.0% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30 which are not expected to be collected within 60 days are recorded as taxes receivable and deferred revenues. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

The statutes of the State of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000, population limits ad valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city, which operates under a Home Rule Charter, Lancaster has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2010, the City had a tax rate of \$.7775 per \$100 assessed valuation, of which \$.6441 was allocated for general government and \$.1334 was allocated for the payment of principal and interest on general obligation debt.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. PROPERTY TAXES – CONTINUED

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

NOTE 4. INTERFUND TRANSACTIONS

At September 30, 2010, interfund balances and transactions, excluding discretely presented component units were as follows:

	Interfund Receivables	Interfund Payables	Transfers In	Transfers Out
General Fund	\$ -	\$ -	\$ 2,485,236	\$ -
HUD Fund	-	-	-	62,000
Capital Projects Fund	-	-	-	-
Non-major Governmental Funds	38,051	38,051	-	42,000
Water and Sewer Fund	2,851,393	-	-	2,374,236
Non-major Enterprise Funds	-	2,851,393	-	7,000
	<u>\$ 2,889,444</u>	<u>\$ 2,889,444</u>	<u>\$ 2,485,236</u>	<u>\$ 2,485,236</u>

The Water and Sewer Fund and Non-major Governmental Funds interfund receivables are a temporary cash overdraft for a Non-major Enterprise fund and Non-major Governmental Fund. The interfund transfer to the General Fund from the HUD Fund, Non-major Governmental Funds, Water and Sewer Funds, and Non-major Enterprise Funds is for indirect services provided by central service departments accounted for in the General Fund.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. FIXED ASSETS

Governmental Funds

Capital assets of the Governmental Funds are as follows:

	Balance September 30, 2009	Increases	Decreases	Transfers	Balance September 30, 2010
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 11,999,383	\$ 338,474	\$ -	\$ -	\$ 12,337,857
Construction in progress	4,037,011	2,747,596	-	(3,004,763)	3,779,844
Total capital assets not being depreciated	<u>16,036,394</u>	<u>3,086,070</u>	<u>-</u>	<u>(3,004,763)</u>	<u>16,117,701</u>
Capital assets being depreciated:					
Buildings	22,769,952	-	-	1,717,244	24,487,196
Improvements	86,326,251	5,226,128	-	1,287,519	92,839,898
Equipment and furniture	14,608,568	817,378	-	-	15,425,946
Total capital assets being depreciated	<u>123,704,771</u>	<u>6,043,506</u>	<u>-</u>	<u>3,004,763</u>	<u>132,753,040</u>
Less accumulated depreciation	<u>46,526,344</u>	<u>3,936,411</u>	<u>-</u>	<u>-</u>	<u>49,462,755</u>
Total capital assets being depreciated, net	<u>78,178,427</u>	<u>2,107,095</u>	<u>-</u>	<u>3,004,763</u>	<u>83,290,285</u>
Governmental activities capital assets, net	<u>\$ 94,214,821</u>	<u>\$ 5,193,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,407,986</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General and administrative	\$ 1,226,305
Public safety	893,092
Public works	1,677,339
Community development and recreation	<u>139,675</u>
Total depreciation expense - governmental activities	<u>\$ 3,936,411</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. FIXED ASSETS – CONTINUED

Enterprise Funds

Fixed assets of the Enterprise Funds are as follows:

	Balance September 30, 2009	Increases	Decreases	Balance September 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,596,261	\$ 1,283,520	\$ -	\$ 4,879,781
Construction in progress	1,945,797	2,616,969	-	4,562,766
Total capital assets not being depreciated	<u>5,542,058</u>	<u>3,900,489</u>	<u>-</u>	<u>9,442,547</u>
Capital assets being depreciated:				
Plants and buildings	4,867,634	73,414	-	4,941,048
Improvements	54,967,088	697,844	-	55,664,932
Runways and taxiways	2,796,067	613,992	-	3,410,079
Other structures	936,717	14,905	-	951,622
Machinery and equipment	2,658,003	145,304	-	2,803,307
Total capital assets being depreciated	<u>66,225,529</u>	<u>1,545,459</u>	<u>-</u>	<u>67,770,988</u>
Less accumulated depreciation	<u>28,054,157</u>	<u>1,473,818</u>	<u>-</u>	<u>29,527,975</u>
Total capital assets being depreciated, net	<u>38,171,372</u>	<u>71,641</u>	<u>-</u>	<u>38,243,013</u>
Business-type activities capital assets, net	<u>\$ 43,713,430</u>	<u>\$ 3,972,130</u>	<u>\$ -</u>	<u>\$ 47,685,560</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and sewer	\$ 1,384,054
Airport	22,930
Golf	66,834
	<u> </u>
Total depreciation expense - business-type activities	<u>\$ 1,473,818</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. FIXED ASSETS – CONTINUED

Discretely Presented Component Units

Capital assets of the Lancaster Economic Development Corporation are as follows:

	Balance September 30, 2009	Increases	Decreases	Balance September 30, 2010
Lancaster Economic Development Corporation: Capital assets not being depreciated:				
Land	\$ 100,378	\$ -	\$ -	\$ 100,378
Total capital assets not being depreciated	<u>\$ 100,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,378</u>

Capital assets of the Lancaster Recreational Development Corporation are as follows:

	Balance September 30, 2009	Increases	Decreases	Balance September 30, 2010
Lancaster Recreational Development Corporation: Capital assets not being depreciated:				
Land	\$ 989,118	\$ -	\$ -	\$ 989,118
Total capital assets not being depreciated	<u>989,118</u>	<u>-</u>	<u>-</u>	<u>989,118</u>
Capital assets being depreciated:				
Buildings	15,797,360	-	-	15,797,360
Park structures	3,965,809	-	-	3,965,809
Equipment and furniture	<u>384,299</u>	<u>46,447</u>	<u>-</u>	<u>430,746</u>
Total capital assets being depreciated	20,147,468	46,447	-	20,193,915
Less accumulated depreciation	<u>6,493,925</u>	<u>783,262</u>	<u>-</u>	<u>7,277,187</u>
Total capital assets being depreciated, net	<u>13,653,543</u>	<u>(736,815)</u>	<u>-</u>	<u>12,916,728</u>
Lancaster Recreational Development Corporation capital assets, net	<u>\$ 14,642,661</u>	<u>\$ (736,815)</u>	<u>\$ -</u>	<u>\$ 13,905,846</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance September 30, 2009	Prior Period Adjustment	Additions	Retirements	Balance September 30, 2010	Due Within One Year
Governmental activities						
General obligation bonds	\$ 30,181,531	\$ -	\$ 22,995,000	\$ (735,000)	\$ 52,441,531	\$ 825,000
Certificates of obligation	13,710,000	-	12,000,000	(365,000)	25,345,000	380,000
Premiums on bond debt	306,551	-	-	(13,605)	292,946	-
Deferred loss on refunding	(823,477)	-	-	55,664	(767,813)	-
Compensated absences	1,329,190	1,492,019	590,186	(667,521)	2,733,874	470,690
OPEB liability	23,320	-	-	-	23,320	-
Capital leases	715,197	-	-	(216,236)	498,961	218,690
Total governmental activities	\$ 45,441,312	\$ 1,492,019	\$ 35,575,186	\$ (1,941,698)	\$ 80,568,819	\$ 1,892,380
Business-type activities						
General obligation bonds	\$ 6,153,471	\$ -	\$ -	\$ (505,000)	\$ 5,648,471	\$ 535,000
Notes payable	417,358	-	-	(264,796)	152,562	80,008
Certificates of obligation	2,770,000	-	-	(200,000)	2,570,000	210,000
Premiums on bond debt	238,647	-	-	(28,377)	210,270	-
Deferred loss on refunding	(85,044)	-	-	9,153	(75,891)	-
Revenue bonds	530,000	-	-	(80,000)	450,000	80,000
Compensated absences	64,398	-	16,182	(15,218)	65,362	28,258
Capital leases	452,546	-	-	(4,945)	447,601	441,304
Total business-type activities	\$ 10,541,373	\$ -	\$ 16,182	\$ (1,089,191)	\$ 9,468,374	\$ 1,374,571
Discretely presented component units						
Notes payable to primary government	\$ 13,010,000	\$ -	\$ -	\$ (605,000)	\$ 12,405,000	\$ 830,000
Total discretely presented component units	\$ 13,010,000	\$ -	\$ -	\$ (605,000)	\$ 12,405,000	\$ 830,000

General long-term debt consists of capital leases, liabilities for accrued vacation leave, general obligation bonds, and certificates of obligation, which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds and certificates of obligation are secured by ad valorem taxes levied on all taxable property within the City and surplus revenues of the Water and Sewer Fund and Airport Fund. A portion of the general obligation bonds has been issued on behalf of the Water and Sewer Fund. Although these bonds are secured by the full faith and credit of the City and have no specific claim against Water and Sewer Fund assets, debt service requirements are provided by the Water and Sewer Fund. Accordingly, this debt is reflected as an obligation of the Water and Sewer Fund.

On March 15, 2010, the City sold \$22,995,000 General Obligation Build America Bonds and \$12,000,000 Tax and Waterworks and Sewer System Surplus Revenue, Certificates of Obligation Build America Bonds. The American Recovery and Reinvestment Act of 2009 authorized the City to issue taxable obligations to finance capital expenditures that could be financed with the issuance of tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable obligations. The City will deposit the subsidy payments for the Bonds within the interest and sinking fund to be used to reduce the amount of regularly scheduled debt service payments on the Bonds.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM LIABILITIES – CONTINUED

General obligation bonds, revenue bonds, certificates of obligation, notes payable, and capital leases outstanding at September 30, 2010, consist of the following:

	<u>Governmental Activities</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total Primary Government</u>
<u>General Obligation Bonds</u>				
\$14,200,000 2002 General Obligation Refunding Bonds, due in annual installments through February 15, 2024, 3.00% - 4.50%	\$ 11,856,531	\$ 371,191	\$ 77,280	\$ 12,305,002
\$24,300,000 2007 General Obligation Refunding Bonds, due in annual installments through February 15, 2032, 4.00% - 5.00%	17,590,000	5,130,000	70,000	22,790,000
\$22,995,000 2010 General Obligation Build America Bonds, due in annual installments through February 15, 2032, 1.82% - 6.53%	<u>22,995,000</u>	-	-	<u>22,995,000</u>
	<u>\$ 52,441,531</u>	<u>\$ 5,501,191</u>	<u>\$ 147,280</u>	<u>\$ 58,090,002</u>
<u>Revenue Bonds</u>				
\$2,905,000 1995 Waterworks and Sewer System Revenue Refunding and Improvement Bonds, due in annual installments through September 1, 2015, 3.90% - 5.60%	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 450,000</u>
<u>Certificates of Obligation</u>				
\$3,210,000 2003 Certificate of Obligation Bonds, due in annual installments through February 15, 2023, 3.25% - 4.50%	\$ 2,400,000	\$ -	\$ -	\$ 2,400,000
\$14,565,000 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2032, 4.00% - 4.375%	10,945,000	2,570,000	-	13,515,000
\$12,000,000 2010 Certificate of Obligation Build America Bonds, due in annual installments through February 15, 2032, 1.82% - 6.53%	<u>12,000,000</u>	-	-	<u>12,000,000</u>
	<u>\$ 25,345,000</u>	<u>\$ 2,570,000</u>	<u>\$ -</u>	<u>\$ 27,915,000</u>

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM LIABILITIES – CONTINUED

	<u>Governmental Activities</u>	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total Primary Government</u>	<u>Discretely Presented Component Units</u>
Note payable					
\$11,530,000 note payable, due in annual installments on February 15, 3.00% - 4.50%	\$ -	\$ -	\$ -	\$ -	\$ 9,635,000
\$3,035,000 note payable, due in annual installments through February 15, 2032; 4.00% - 4.375%	-	-	-	-	2,770,000
\$812,500 note payable, due in quarterly installments through November 15, 2010; 6.5%	-	-	62,500	62,500	-
\$116,441 note payable, due in monthly installments through July 1, 2015; 7.5%	-	-	90,080	90,080	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,560</u>	<u>\$ 152,560</u>	<u>\$ 12,405,000</u>
Capital Leases					
\$1,885,000 Lease Purchase Agreement, due in monthly installments through March 1, 2011; 4.35% - 5.00%	\$ -	\$ 435,000	\$ -	\$ 435,000	\$ -
\$500,000 Lease Purchase Agreement, due in annual installments through January 1, 2012; 4.38%	182,877	12,600	-	195,477	-
\$260,128 Lease Purchase Agreement, due in annual installments through January 1, 2012; 4.38%	97,430	-	-	165,457	-
\$265,987 Lease Purchase Agreement, due in annual installments through September 30, 2015; 5.00%	218,654	-	-	218,654	-
	<u>\$ 498,961</u>	<u>\$ 447,600</u>	<u>\$ -</u>	<u>\$ 1,014,588</u>	<u>\$ -</u>

Capital leases represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General and Water and Sewer Funds.

As of September 30, 2010, property and equipment under capital leases is carried at \$1,111,117, with \$283,652 in accumulated depreciation.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM LIABILITIES – CONTINUED

The annual requirements to amortize the long-term debt as of September 30, 2010 are as follows:

General Obligation Bonds						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 825,000	\$ 3,032,724	\$ 3,857,724	\$ 535,000	\$ 252,435	\$ 787,435
2012	1,345,000	2,596,907	3,941,907	555,000	230,635	785,635
2013	1,440,000	2,552,862	3,992,862	580,000	207,935	787,935
2014	1,530,000	2,486,418	4,028,418	605,000	161,210	766,210
2015	1,810,000	2,435,031	4,045,031	640,000	160,085	790,085
2016-2020	10,180,139	10,649,010	21,129,149	2,489,662	259,485	2,749,147
2021-2025	12,231,392	8,253,788	20,485,180	243,609	22,715	266,324
2026-2030	9,835,000	5,542,413	15,177,413	-	-	-
2031-2035	7,570,000	2,835,022	10,505,022	-	-	-
2036-2040	6,075,000	1,025,060	7,100,060	-	-	-
Total	\$ 52,441,531	\$ 41,621,005	\$ 94,262,536	\$ 5,648,471	\$ 1,296,500	\$ 6,944,971

Certificates of Obligation						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 380,000	\$ 1,473,477	\$ 1,853,477	\$ 210,000	\$ 101,708	\$ 311,708
2012	695,000	1,243,736	1,938,736	220,000	93,106	313,106
2013	735,000	1,219,486	1,954,486	230,000	84,106	314,106
2014	780,000	1,192,184	1,972,184	240,000	74,708	314,708
2015	885,000	1,181,120	2,028,120	100,000	67,906	167,906
2016-2020	4,805,000	5,238,316	10,043,316	560,000	274,855	834,855
2021-2025	5,355,000	4,056,788	9,411,788	690,000	146,841	836,841
2026-2030	4,905,000	2,764,134	7,669,134	320,000	14,216	334,216
2031-2035	3,645,000	1,522,090	5,167,090	-	-	-
2036-2040	3,180,000	535,948	3,715,948	-	-	-
Total	\$ 25,345,000	\$ 20,407,279	\$ 45,752,279	\$ 2,570,000	\$ 857,444	\$ 3,427,444

Note Payable						
Fiscal Year	Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 80,008	\$ 5,678	\$ 85,686	\$ 630,000	\$ 507,049	\$ 1,137,049
2012	18,588	3,860	22,248	650,000	484,190	1,134,190
2013	19,734	2,514	22,248	885,000	459,795	1,144,795
2014	20,951	1,297	22,248	715,000	433,360	1,148,360
2015	13,279	97	13,376	740,000	405,147	1,145,147
2016-2020	-	-	-	4,215,000	1,530,987	5,745,987
2021-2025	-	-	-	4,330,000	514,830	4,844,830
2026-2030	-	-	-	440,000	19,489	459,489
Total	\$ 152,560	\$ 13,246	\$ 165,806	\$ 12,405,000	\$ 4,354,827	\$ 16,759,827

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM LIABILITIES – CONTINUED

Revenue Bonds						
Fiscal Year	Business-type Activities					
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 80,000	\$ 24,775	\$ 104,775			
2012	85,000	20,455	105,455			
2013	90,000	15,823	105,823			
2014	95,000	10,872	105,872			
2015	100,000	5,800	105,800			
Total	\$ 450,000	\$ 77,625	\$ 527,625			

Capital Leases						
Fiscal Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 216,690	\$ 20,294	\$ 236,984	\$ 441,304	\$ 22,384	\$ 463,688
2012	150,534	5,884	156,398	6,298	277	6,573
2013	43,730	548	44,279	-	-	-
2014	43,812	367	44,279	-	-	-
2015	44,085	184	44,279	-	-	-
2016-2020	-	-	-	-	-	-
Total	\$ 498,961	\$ 27,258	\$ 526,219	\$ 447,600	\$ 22,641	\$ 470,241

NOTE 7. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

Plan Description – Continued

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	12/31/09	12/31/08
Deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers 70% of CPI	100% Repeating Transfers 70% of CPI
Annuity increase (to retirees)	Repeating	Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2008 valuation is effective for the rates beginning January 2010).

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

Annual Pension Cost

Contributions by the City were \$1,764,806, or 12.15% of the covered payroll of \$14,525,485 as required by the actuarial valuation. The total fiscal year 2010 payroll was \$13,565,513.

Annual City pension cost and related information for the last three years is as follows:

<u>Actuarial Information</u>	<u>12/31/09</u>	<u>12/31/08</u>	<u>12/31/07</u>
Actuarial cost method	Project Unit	Project Unit	Project Unit
Amortization method	Credit	Credit	Credit
	Level %	Level %	Level %
Amortization period	28 years-closed period	29 years-closed period	30 years-closed period
Asset valuation method	10-year smoothed market	Amortized cost	Amortized cost
Assumptions			
Investment return	7.5%	7.5%	7.0%
Projected salary increases	varies by age and services	varies by age and services	varies by age and services
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustment	2.1%	2.1%	2.1%
City specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high or high)	Mid-High/High	Mid-High/High	Mid-High/High
 <u>Schedule of Funding Information</u>			
Actuarial valuation date	<u>12/31/09</u>	<u>12/31/08</u>	<u>12/31/07</u>
Actuarial Value of Assets	\$ 29,362,600	\$ 26,431,828	\$ 26,735,436
Actuarial Accrued Liability	\$ 45,558,535	\$ 42,814,837	\$ 42,017,887
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 16,195,935	\$ 16,383,009	\$ 15,282,429
Funded ratio	64.5%	61.7%	63.6%
Annual Covered Payroll	\$ 14,525,485	\$ 14,507,867	\$ 13,260,730
UAAL as a Percentage of Covered Payroll	111.5%	112.9%	115.2%

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. RETIREMENT PLAN – CONTINUED

Annual Pension Cost – Continued

The City's net pension obligation (NPO) for TMRS at December 31, 2009, 2008 and 2007 is calculated as follows:

Actuarial valuation date:	December 31,		
	2009	2008	2007
NPO, beginning of the year	\$ -	\$ -	\$ -
Annual pension cost:			
Annual required contribution (ARC)	1,764,806	1,727,903	1,481,222
Contributions Made	(1,764,806)	(1,727,903)	(1,481,222)
NPO, end of the year	\$ -	\$ -	\$ -

Supplemental Death Benefit Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. This rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree life insurance during employees' entire careers.

The City's contributions to SDBF for the fiscal years ended September 30, 2010, 2009 and 2008, were \$25,157, \$73,918, and \$111,113, respectively, which equaled the required contributions each year.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides post-employment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical and dental care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage an employee must qualify under all three of the following:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than ninety days from termination of employment; and
3. Enroll for retiree Health coverage within thirty-one days of the date of termination.

As of September 30, 2010, membership consisted of:

Retirees and beneficiaries receiving benefits	7
Active employees	<u>275</u>
Total	<u><u>282</u></u>

Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving HMO medical benefits contribute \$412 per month for retiree-only coverage, \$824 per month for retiree and spouse and \$1,402 per month for retiree and family. Members receiving PPO medical benefits contribute \$456 per month for retiree-only coverage, \$1,005 per month for retiree and spouse and \$1,554 per month for retiree and family. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Costs

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2010:

	2010
Annual required contribution	\$ 68,395
Interest on prior year Net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	68,395
Contributions made	(68,395)
Increase in net OPEB obligation	-
Net Obligation - beginning of year	23,320
Net Obligation - end of year	\$ 23,320
Percentage of OPEB costs contributed	100.00%

Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of December 31, 2009 was as follows:

Actuarial accrued liability	\$ 498,266
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	\$ 498,266
Funded ratio	0.0%
Covered payroll	14,525,485
Unfunded actuarial accrued liability as a percentage of covered payroll	3.43%

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. The rate of inflation is assumed to be 3%.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool. Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

Trinity River Authority of Texas

The City contracts with Trinity River Authority of Texas (TRA), a conservation and reclamation district, whereby the Authority finances, constructs, operates and maintains sewage transportation and treatment facilities for the benefit of the City. The current contract is extended through the date until which all bonds have been paid. The City makes payments monthly, which are based on an estimate of its share of costs. The City's share of costs for the fiscal year ended September 30, 2010 was \$3,615,468. This estimate is calculated by TRA who makes adjustments for over/under charges in the City's next fiscal year. There were no adjustments to the amounts as calculated by the TRA for the year ended September 30, 2010.

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. COMMITMENTS AND CONTINGENCIES – CONTINUED

Federal and State Programs

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2010 may be impaired.

Subsequent to the fiscal year ended September 30, 2007, potential improprieties were discovered and an investigation was performed. The information related to this investigation has been provided to the Office of the Inspector General for the Federal Department of Housing and Urban Development and they are continuing the investigation. The resolution of this matter and financial impact to the Lancaster Housing Agency has not been determined.

Other Contingencies

There are other claims and pending actions incidental to normal operations of the City. In the opinion of the City administration, the City's potential liability in these matters will not have a material impact on the financial statements.

NOTE 10. RESERVATIONS AND DESIGNATIONS OF FUND BALANCE / RETAINED EARNINGS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Amounts are designated within the General Fund's unreserved fund balance as the City Council has designated current revenues for future period expenditures of Bear Creek Park.

Reserves of retained earnings consist of resources accumulated for the retirement of debt (reserve for debt service) and the unexpended portion of impact fees which are restricted for water and sewer improvements (reserve for capital improvements).

**CITY OF LANCASTER
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds and expenditure categories had excesses of expenditures over appropriations at the legal level of control (fund level):

<u>Fund</u>	<u>Excess Expenditures over Appropriations</u>
General Fund	\$ 1,170,821
HUD Fund	580,173

NOTE 12. DEFICIT FUND BALANCES

A deficit undesignated fund balance of \$5,857 and \$18,615 exists in the Police State Seized Fund and Emergency 911 Fund, respectively. The deficit results from the unfunded expenditures approved by the City. The City plans to eliminate the deficit.

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2010 have been evaluated for possible adjustment to the financial statements or disclosure is August 16, 2011, the date these financial statements were available to be issued. During this period, there were no material recognizable subsequent events.

NOTE 14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made for the correction of prior year's accrued sick leave liability for the public safety department. The prior year accrual had vacation leave accrued but did not include the sick leave that the public safety department had accumulated. Upon termination of employment, the public safety department receives their accumulated sick pay and therefore a liability for the balance should be included. The adjustment increased the current year liabilities and decreased net assets on the government-wide financial statements by \$1,492,019.



Lancaster

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LANCASTER, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION
 IN TEXAS MUNICIPAL RETIREMENT SYSTEM
 SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets [1]	Actuarial Accrued Liability (AAL) [2]	Funded Ratio [3] [1] / [2]	Unfunded AAL (UAAL) [4] [2] - [1]	Covered Payroll [5]	UAAL as a percentage of Covered Payroll [6] [4] / [5]
12/31/2007	26,735,438	42,017,867	63.8%	15,282,429	13,260,730	115.2%
12/31/2008	26,431,828	42,814,837	61.7%	16,383,009	14,507,867	112.9%
12/31/2009	29,362,600	45,558,535	64.5%	16,195,935	13,887,238	116.6%

**CITY OF LANCASTER, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS PLAN
 ANALYSIS OF FUNDING PROGRESS
 (UNAUDITED)
 SEPTEMBER 30, 2010**

Fiscal Year	Actuarial Value of Assets [1]	Actuarial Accrued Liability (AAL) [2]	Funded Ratio [3] [1] / [2]	Unfunded AAL (UAAL) [4] [2] - [1]	Covered Payroll [5]	UAAL as a percentage of Covered Payroll [6] [4] / [5]
2009	-	\$ 498,266	0.0%	\$ 498,266	\$ 14,507,867	3.4%
2010	-	\$ 498,266	0.0%	\$ 498,266	\$ 13,887,238	3.6%

CITY OF LANCASTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and fees	\$ 15,425,632	\$ 15,425,632	\$ 16,014,357	\$ 588,725
Licenses and permits	463,750	463,750	502,940	39,190
Intergovernmental	339,608	339,608	295,736	(43,872)
Charges for services	584,358	584,358	516,420	(87,938)
Fines and forfeits	1,049,822	1,049,822	839,868	(209,954)
Interest	12,818	12,818	7,073	(5,745)
Miscellaneous	726,577	726,577	604,188	(122,389)
Total revenues	18,602,565	18,602,565	16,780,582	178,017
Expenditures:				
Current:				
General government	3,070,791	3,070,791	3,332,021	(261,230)
Public safety	13,636,205	13,623,124	13,416,346	206,778
Public works	2,225,275	2,225,275	3,243,523	(1,016,248)
Community development and recreation	1,162,108	1,162,108	1,010,385	151,723
Capital outlay	59,500	72,581	360,037	(287,456)
Debt service:				
Principal retirement	73,072	73,072	54,254	18,818
Interest and fiscal charges	18,794	18,794	-	18,794
Total expenditures	20,245,745	20,245,745	21,416,566	(1,170,821)
Deficiency of revenues under expenditures	(1,643,180)	(1,643,180)	(2,635,984)	(992,804)
Other financing sources:				
Operating transfers in	1,687,421	1,687,421	2,485,236	797,815
Total other financing sources	1,687,421	1,687,421	2,485,236	797,815
Net change in fund balances	44,241	44,241	(150,748)	(194,989)
Fund balances - beginning of year	3,908,328	3,908,328	3,908,328	-
Fund balances - end of year	\$ 3,952,569	\$ 3,952,569	\$ 3,757,580	\$ (194,989)

CITY OF LANCASTER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
HUD FUND
YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 8,046,054	\$ 8,046,054	\$ 8,733,102	\$ 687,048
Interest	5,757	5,757	1,679	(4,078)
Miscellaneous	59,600	59,600	81,575	21,975
Total revenues	<u>8,111,411</u>	<u>8,111,411</u>	<u>8,816,356</u>	<u>704,945</u>
Expenditures:				
Social and welfare	8,037,997	8,037,997	8,599,376	(561,379)
Capital outlay	60,000	60,000	78,794	(18,794)
Total expenditures	<u>8,097,997</u>	<u>8,097,997</u>	<u>8,678,170</u>	<u>(580,173)</u>
Excess of revenues over expenditures	<u>13,414</u>	<u>13,414</u>	<u>138,186</u>	<u>124,772</u>
Other financing uses:				
Operating transfers out	(62,000)	(62,000)	(62,000)	-
Total other financing uses	<u>(62,000)</u>	<u>(62,000)</u>	<u>(62,000)</u>	<u>-</u>
Net change in fund balances	(48,588)	(48,586)	76,186	124,772
Fund balances - beginning of year	<u>884,078</u>	<u>884,078</u>	<u>884,078</u>	<u>-</u>
Fund balances - end of year	<u>\$ 835,492</u>	<u>\$ 835,492</u>	<u>\$ 960,264</u>	<u>\$ 124,772</u>

**CITY OF LANCASTER, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETS AND BUDGETARY ACCOUNTING

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

An operating budget for the General Fund and HUD Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of appropriations for the fiscal year ended September 30, 2010:

<u>Fund</u>	<u>Excess Expenditures over Appropriations</u>
General Fund	\$ 1,170,821
HUD Fund	580,173

APPENDIX C

FORM OF BOND AND SPECIAL TAX COUNSELS' OPINIONS

[FORM OF BOND COUNSEL OPINION]

October ____, 2011

WE HAVE ACTED as Bond Counsel for the CITY OF LANCASTER, TEXAS, a municipal corporation of the State of Texas (the "City") in connection with an issue of certificates of obligation (the "Certificates") described as follows:

CITY OF LANCASTER, TEXAS TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2011, dated September 15, 2011, in the aggregate principal amount of \$_____, maturing on August 15 in the years ____ through and including ____, and as a Term Certificate maturing August 15, 20___. The Certificates are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest and may be transferred and exchanged as set out in the Certificates and in the ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") authorizing their issuance.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates. We have also examined executed Certificate No. R-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently in effect; the Certificates constitute valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Certificates may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting

the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Certificates have been authorized and delivered in accordance with law;

(2) The Certificates are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Certificates; and

(3) The surplus revenues (limited in an amount not to exceed \$1,000) of the City's combined Waterworks and Sewer System, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), are pledged to the payment of the principal of and interest on the Certificates; provided, however, that such pledge is 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 Net Revenues to the payment of the Certificates.

The City has reserved 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 by a pledge of the 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.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payment due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

Respectfully submitted,

[FORM OF SPECIAL TAX COUNSEL OPINION]

October __, 2011

WE HAVE ACTED as Special Tax Counsel for the CITY OF LANC ASTER, TEXAS, a municipal corporation of the State of Texas (the "City"), in connection with an issue of certificates of obligation (the "Certificates") described as follows:

CITY OF LANC ASTER, TEXAS TAX AND WATERWORKS AND SEWER SYSTEM SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2011, dated September 15, 2011, in initial denominations of \$5,000 each or integral multiples thereof, aggregating \$_____. The Certificates mature, bear interest and may be transferred and exchanged as set out in the Certificates and in the ordinance of the City Council of the City authorizing the Certificates (the "Ordinance"). The Certificates are subject to optional redemption prior to maturity as set out in the Certificates and in the Ordinance.

WE HAVE ACTED as Special Tax Counsel for the sole purpose of rendering an opinion with respect to the exclusion of interest on the Certificates from gross income under federal income tax law. In such capacity we have examined the federal income tax law and a transcript of certain certified proceedings pertaining to the issuance of the Certificates, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Certificates.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Certificates.

BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, and on the opinion of West & Associates, L.L.P., Bond Counsel, dated the date hereof, that the Certificates are issued in full compliance with the Constitution and laws of the State of Texas presently in effect and constitute valid and legally binding obligations of the City, it is our opinion that, subject to the restrictions hereinafter described, interest on the Certificates is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance to comply

with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Special Tax Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

INTEREST ON all tax-exempt obligations, including the Certificates, owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

EXCEPT AS DESCRIBED HEREIN, we express no opinions as to any other matters except with respect to the excludability of the interest on the Certificates from gross income from the owners thereof for federal income tax purposes.

IN PROVIDING THE FOREGOING OPINIONS, we have relied upon representations of the City with respect to matters solely within the knowledge of the City, which we have not independently verified, and have assumed the accuracy and completeness thereof.

IN ADDITION, EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations, such as the Certificates, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, tax payers who are deemed to have incurred or continued in indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Certificates.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Financial Advisory Services
Provided By



LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

7

AG11-007

Discuss and consider confirmation of a Civil Service Commission appointment as designated by the City Manager.

This request supports the City Council 2011-2012 Policy Agenda.

Goal 6: Civic Engagement

Background

Our Police Officers and Firefighters serve under the State Civil Service provisions. State law requires the City to have a three-member Civil Service Commission. It also requires that the City Manager make the appointments to the Commission with confirmation by City Council.

We have received a request from Lafayette Miles to be reappointed as one of the three members of the Commission. There are no other terms that expire in 2011. The City Manager is now prepared to present his re-appointment, Lafayette Miles, to City Council for confirmation.

The City Manager respectfully submits the following name for reappointment to the Civil Service Commission:

LaFayette Miles, term expires 2011

Current members include:

- Will Armstead, term expires 2012
- Audley Logan, term expires 2013

Considerations

- **Operational** - State law requires that the City maintain a Civil Service Commission. With only three members on the Commission, it is important that all three positions be filled in order for the Commission to conduct its required business.
- **Legal** - State law requires that the City Manager make the appointments to the Commission with confirmation by City Council.

- **Financial** – Civil Service Commission members are not compensated.
- **Public Information** – There are no public information requirements

Options/Alternatives

1. Confirm the City Manager's appointment for the reappointment of LaFayette Miles to the Civil Service Commission.
2. Reject the City Manager's reappointment and provide direction to the City Manager regarding the appointment.

Recommendation

The City Manager requests favorable consideration from City Council by confirming the reappointment of LaFayette Miles.

Attachments

- LaFayette Miles application to seek reappointment to the Commission.

Prepared and submitted by:
Dori Lee, Director of Human Resources

Date: September 13, 2011



Boards and Commissions 2011



Dear Board or Commission member:

Our records indicate your current appointment will expire in July 2011. Please complete the information below to indicate if you are interested in being reappointed.

LAFAYETTE MILES
(Name)

Civil Service Advisory Comm.
(Board or Commission)

Desire reappointment

Do not wish to be reappointed

(Please complete the enclosed application and return with this form to the address below or via fax.)

If you wish to apply for a different board, please indicate name of board or commission on the enclosed application with this form and return it to the address below or via fax.

Annette Miles
Signature

6-22-11
Date

Deadline is July 12, 2011.

For more information, please call (972) 218-1310. Thank you for your service to the City of Lancaster.

Please mail form and application to:

Angie Arenas, Assistant City Secretary
City of Lancaster
211 N. Henry St.
P.O. Box 940
Lancaster, TX 75146

Fax form and application to:

(972) 218-1399

For Office Use Only

Received by: Angie Arenas

Date: 6.22.11

LANCASTER CITY COUNCIL
Agenda Communication for
September 26, 2011

8

AG11-008

Consider confirmation of nominations by the Planning and Zoning Commission for appointment to the Lancaster Historic Landmark Preservation Committee (HLPC).

This request supports the City Council 2010-2011 Policy Agenda.

Goal 2: Quality Development

Background

Annually, appointments and re-appointments are made to the Boards and Commissions for the City of Lancaster. The Historic Landmark Preservation Committee (HLPC) is appointed by the members of the Planning and Zoning Commission and confirmed by the City Council. The following excerpt is from the Lancaster Development Code:

The HLPC shall consist of five (5) members to be appointed by the Planning and Zoning Commission and confirmed by the City Council. Of the five (5) members of the HLPC, at least three (3) shall have experience and/or expertise in the following fields: architecture, planning, landscape architecture, building construction or real estate appraisal. At least one member shall be a member of the Lancaster Historical Society. At least one member shall be the owner of a designated historic landmark or property within a historic district. All HLPC members shall be residents of the city and shall have a demonstrated interest in or knowledge of historic preservation practices and principles.

Terms of Office: HLPC members shall serve for terms of two (2) years with three (3) member's terms expiring in odd numbered years and two (2) members' terms expiring in even numbered years.

This being an odd numbered year, three regular members and the alternate are up for re-appointment. Two of the regular members and the alternate expressed a desire to be re-appointed. One of the regular members did not wish to be re-appointed. The Planning and Zoning Commission at their September 6, 2011 meeting voted to re-appoint the regular members, Glenn Hooper and Cheryl Wright, to the Committee and move the alternate, Gilles Delaisse, to the vacant regular member position. With the alternate position open, the Planning and Zoning Commission voted to name Patricia Siegfried-Giles as the alternate to this Committee. Mrs. Giles was one of two applicants expressing a desire to serve on this Committee.

Historic Landmark Preservation Committee (HLPC)	Term Expires	Member name	Desires Reappointment		Notes
			Yes	No	
<i>(P&Z appoints, Council confirms)</i>	2011	Glenn Hooper (Vice Chair)	✓		
	2011	Emily Lewis		✓	
	2011	Cheryl Wright	✓		
	2011	Gilles Delaisse (Alternate)	✓		

Considerations

- **Operational** - This is an administrative policy established by the City Council.
- **Legal** - None
- **Financial** - None
- **Public Information** - No public notice is required.

Options/Alternatives

1. Confirm the appointments as presented.
2. Take no action at this time. Those currently seated remain until new appointments are made.

Recommendation

Planning and Zoning Commission recommends approval of this item.

There is no staff recommendation given for this item.

Attachments

- Planning and Zoning Agenda Communication (September 6, 2011)
- New applications

Prepared and submitted by:
 Nathaniel Barnett, Senior Planner

Date: September 13, 2011

PLANNING & ZONING COMMISSION
Agenda Communication for
September 6, 2011

#5

M11-08 Discuss and Consider Annual Appointments to the City of Lancaster Historic Landmark Preservation Committee (HLPC).

Considerations

It has been past practice to bring this item forward with applications and allow the Planning and Zoning Commission to fill vacancies in the same manner as the City Council makes appointments to Boards and Commissions. The only difference is the City Council conducts interviews prior to making appointments. Two of the current members and the alternate, whose terms are expiring, are requesting to be reappointed. One of the current members does not wish to be reappointed.

The Planning and Zoning Commission has several options. They are listed below:

1. Make appointments from new applications.
2. Reappoint members whose terms are expiring.
3. Appoint the alternate to fill a regular position and then appoint a new alternate.
4. Delay some appointments until a future P&Z meeting.
5. Leave any regular position or alternate position unfilled at this time.

Staff does not make a recommendation on these items. The following table depicts those HLPC members and their desire for reappointment.

Historic Landmark Preservation Committee (HLPC)	Term Expires	Member name	Desires Reappointment		Notes
			Yes	No	
<i>(P&Z appoints, Council confirms)</i>	2011	Glenn Hooper (Vice Chair)	✓		
	2011	Emily Lewis		✓	
	2011	Cheryl Wright	✓		
	2011	Gilles Delaisse (Alternate)	✓		

Attachments

- New applications (alphabetical order)

Prepared and Submitted By:

Nathaniel Barnett
 Senior Planner

Date: _____ **September 1, 2011**



City of Lancaster, Texas
Boards and Commissions
Application



Name: Francil Morris Date: _____

Address: 237 Park Place Zip: _____

Home Phone: _____ Work/Cell Phone: 214-218-3267

Email Address: _____ Length of residency: _____

Occupation: personal care, bank clerk, city clerk, Service Police

Please list the Boards/Commissions/Corporations you wish to serve on in order of preference.

1. Lancaster Recreation & Development
2. Historic Landmark Preservation Committee
3. property Standards Appeal Board

Have you ever served as a member of any Lancaster boards, commissions, or committees?

YES NO

~~yes I was on a board when I live here before~~

List any particular qualifications you feel would be beneficial to serving on any particular board or commission. You may also attach additional sheets as well as a resume.

I work with a community boards with the Lopez Clark and our meetin was at the Lancaster Park. We painted and fix on houses and clean our neighborhood

To be an effective member of a Board or Commission, you must be willing to attend and participate in all scheduled meetings.

For consideration during the annual appointment process, please submit your application by July 12, 2011.

Applications are always welcome as vacancies may occur throughout the year.

Signature Francil Morris Date _____

Please return your completed application to the City Secretary's Office at 211 N. Henry St., or mail to P. O. Box 940, Lancaster, TX 75146 or fax to 972-218-1399.

Received by: <u>Angie Arenas</u>	Office Use Only
	Date: <u>7/12/11</u>

BOARDS & COMMISSIONS APPLICATION



Name: Patricia Siegfried-Giles Date: 5-16-11
 Address: The Artist Cottage 10210. 7th St. Zip: 75146
 Home Phone: 972 227 5714 Work/Cell Phone: _____
 Email Address: psg@jergiles.com Length of residency: 38 years
 Occupation: Artist-Designer

Please list the Boards/Commissions/Corporations you wish to serve on in order of preference.

- 1. Historic Landmark Preservation Committee
- 2. Lancaster Economic Development Corporation

Have you ever served as a member of any Lancaster boards, commissions, or committees?

YES HLPC NO
1993-2005

List any particular qualifications you feel would be beneficial to serving on any particular board or commission. You may also attach additional sheets as well as a resume. See Attached

- 1. Graduate Civic Leadership Academy 2010
- 2. Graduate Citizens Public Safety Academy 2011

To be considered a member of a Board or Commission, you must be willing to attend and participate in all required meetings.

For consideration during the annual appointment process,
 please submit your application by
 July 11, 2011.

Applications are always welcome as vacancies may occur throughout the year.

Patricia Siegfried-Giles Date May 16 2011

Forward your completed application to the City Secretary's Office at 211 N. Henry St., or mail your application to P. O. Box 940, Lancaster, TX 75146 or fax to 972-218-1399.

Office Use Only

ddowne Date: 5-24-11

Patricia Siegfried-Giles
The Artist Cottage
102 West 7th Street
Lancaster, Texas 75146
972.227.5714
E-mail pag@jergiles.com

PERSONAL:

Husband, Jerry W. Giles: Artist - Designer

EDUCATION:

Bachelor of Arts Speech and Drama, University of North Texas, 1970;
Double Minor History and English

PROFESSIONAL:

Self-employed Designer/Artist 1987 to Present
Agency Director Dallas Taping for the Blind, 1982-1987
United Way agency where volunteers read books on tape that are transferred to cassettes
Scenic Artist, 1977-1982

VOLUNTEER ACTIVITIES:

General Federation of Women's Clubs:

International Board of Directors 2006-2008
South Central Region; various appointments Board of Directors since 1995

Texas Federation of Women's Clubs:

State President 2006-2008, over 4000 members, 12 districts, 172 clubs
President-elect 2004-2006, First Vice President 2002-2004, Second Vice President 2000-
2002, Recording Secretary 1998-2000, various appointments Board of Directors since 1986
Trinity District Volunteer of the Year 1997
Trinity District President 1994-1996; 30 clubs, 11 counties

Waxahachie:

Waxahachie Shakespeare Club, member 2004, President 2009-2010, affiliated w/ the Texas
Federation of Women's Clubs General Federation of Women's Clubs

Lancaster:

Historic Landmark Preservation Committee, City of Lancaster
City Council appointment 1993-2005
Lancaster Cultural Arts Center Task Force, member 2006
Lancaster Historical Society; member 1974, Recording Secretary 2010-2012, President
2004-2006, Vice President, 1996- 2004; Chair Bringing Back the City of Trees Project,
Chair Museum Feasibility 1998-2000; Board of Directors 1992-1996; Vice President
1991; Secretary 1975-1983, Author, Producer, Director Lancaster History Puppet Show -
toured Elementary Schools and one performance Town Square Celebration; Author of two
chapters Lancaster History Book published 1976
Pleasant Run Chapter, National Society Daughters of the American Revolution; member
1994, Regent 1998-2000, Vice Regent 1996-1998
Lancaster Shakespeare Club; member 1977-2005, President 75th Anniversary 1984-1986

Dallas:

Les Femmes du Monde, member 1998, Secretary 2009-2011, President 2004, Secretary
2003, various committees
Woman's Council Dallas Arboretum and Botanical Garden; member 1996, Chair Bulk Mail
2003-2004, Historian 2001-2002, PR for Holiday at the Arboretum Dinner Dance 2000
Hugh O'Brian Youth Leadership; Texas North Corporate Board of Directors 1997-2001
Library of Congress Talking Books Program; Narrator for 11 years, 1977-1988

HOBBIES:

NASCAR auto racing fan, sometime gardener, collector of Santa Claus & flamingo figurines



Jer Giles Patricia Stegfreid-Giles
The Artist Cottage 102 W 7th Street Historic Lancaster TX 75146

JerGiles Artwalls Back Story

Jer Giles Artist * Designer * Visionary * Problem Solver Grew up in Huntsville, Alabama at the height of the space race in the town where failure was not an option. He got involved in theatre as early as high school. He moved to Texas and graduated with a Bachelor of Fine Arts in Theatrical Design and Production from the University of Texas in Austin in 1973. From there he worked in Dallas, known as "the third coast", as a Scenic Artist and painted sets for national stage, screen and television with three shows he's painted on Broadway.

In 1981 he crossed the footlights, started his own business, and began taking commissions to paint in homes, restaurants and offices. His is one of the most recognized names in the Decorative Arts in the Metroplex. With 29 years working in homes, Jer is a seasoned professional. He is experienced with new construction and remodeling pit-falls, knows how to deal with the other trades on the job, and delivers a masterpiece every time!

Patricia Stegfreid-Giles Designer * Director * Grew up in the Air Force living in six states and one foreign country. She graduated from the University of North Texas with a Bachelor of Arts in Speech and Drama with a double minor in History and English in 1970. Her first job out of college was in a summer theatre in Carlsbad, New Mexico where she met Jer Giles who was the Designer and Technical Director. It was love at first sight and 2011 marks the year of their 41st wedding anniversary.

Patricia is active in many civic and social clubs most notably the Texas Federation of Women's Clubs General Federation of Women's Clubs. She served as State President for 2006-2008 representing over 4000 members and 172 clubs state wide. She is the past president of Les Femmes du Monde of Dallas, the Shakespeare Club in Waxahachie, the Lancaster Historical Society in Lancaster and past regent of the Pleasant Run Chapter of the National Society of the Daughters of the American Revolution.

Together they make a formidable couple providing painted solutions so that homes, offices, and even industrial spaces become warm, inviting, friendly and welcoming. As designers and artists they offer their clients quality, artistic integrity, service, attention to their needs and competitive, professional fees.



Jer Giles Patricia Stegfreid-Giles
The Artist Cottages 102 W 7th Street + Historic Lancaster TX 75148

Artist/Designer/Visionary/Problem Solver
Murals, custom wall finishes, fantasy finishes

Hot Shot

JerGiles Artwalls celebrating 30 years of murals and other effects of grandeur possible with paint

American Training in the European Style

Tuscan finishes, Old World borders and molding, Asian influences
Gold leaf, silver & metal leaf, traditional faux finishes, faux masonry,
You name it - we paint it

Magic Palette

Works from a palette to mix, match, and create his own colors

Keeps Green Studio

Uses water base paints since 1980's; no harm to homeowner, the artist, or the environment

CGI just like the movies

Computer Generated Imaging: 1989 began offering clients computer imaging. Now the digital camera captures the space, the image is transferred to the computer where the design is created, then the proposed design is sent to the client via e-mail

Publicity

Television: Designing Texas with Joycelyn White
Michael Holigan's Your New Home
Books: Villa Décor by Betty Lou Phillips
Faux Finishing for the First Time by Rhonda Rainey
Magazines: Dallas Home Design, Dallas-Fort Worth Design,
Dallas/Fort Worth Home and Design
Newspapers: Dallas Morning News, Today Papers, DMN Dallas Life Magazine

Claim to Fame

Jer is the artist The State Fair of Texas commissions to paint Big Tex

JerGiles Artwalls www.jergiles.com 214.415.0713



City of Lancaster, Texas
Boards and Commissions
Application



Name: Francil Morris Date: _____

Address: 237 Park Place Zip: _____

Home Phone: _____ Work/Cell Phone: 214-218-3267

Email Address: _____ Length of residency: _____

Occupation: personal care, bank clerk, city clerk, Service Police

Please list the Boards/Commissions/Corporations you wish to serve on in order of preference.

1. Lancaster Recreation Development
2. Historic Landmark Preservation Committee
3. property Standards Appeal Board

Have you ever served as a member of any Lancaster boards, commissions, or committees?

YES NO

List any particular qualifications you feel would be beneficial to serving on any particular board or commission. You may also attach additional sheets as well as a resume.

I work with a community boards with the Zoning Clerk and our meetin was at the Pasante Road Park. We painted and fix on houses and clean our neighborhood

To be an effective member of a Board or Commission, you must be willing to attend and participate in all scheduled meetings.

For consideration during the annual appointment process, please submit your application by July 12, 2011.

Applications are always welcome as vacancies may occur throughout the year.

Signature Francil Morris Date _____

Please return your completed application to the City Secretary's Office at 211 N. Henry St., or mail to P. O. Box 940, Lancaster, TX 75146 or fax to 972-218-1399.

Received by: <u>Angie Arenas</u>	Office Use Only
	Date: <u>7.12.11</u>

BOARDS & COMMISSIONS APPLICATION

Name: Patricia Siegfried-Giles Date: 5.16.11

Address: The Artist Cottage 10210. 7th St. Zip: 75146

Home Phone: 972 227.5714 Work/Cell Phone: _____

E-mail Address: psg@jergiles.com Length of residency: 38 years

Occupation: Artist-Designer

Please list the Boards/Commissions/Corporations you wish to serve on in order of preference.

- 1. Historic Landmark Preservation Committee
- 2. Lancaster Economic Development Corporation

Have you ever served as a member of any Lancaster boards, commissions, or committees?

YES HLPC NO
1993-2005

List any particular qualifications you feel would be beneficial to serving on any particular board or commission. You may also attach additional sheets as well as a resume. See Attached

- 1. Graduate Civic Leadership Academy 2010
- 2. Graduate Citizens Public Safety Academy 2011

In order to serve as a member of a Board or Commission, you must be willing to attend and participate in all required meetings.

For consideration during the annual appointment process,
please submit your application by
July 11, 2011.

Applications are always welcome as vacancies may occur throughout the year.

Patricia Siegfried-Giles Date May 16 2011

Return your completed application to the City Secretary's Office at 211 N. Henry St., or mail your application to P.O. Box 940, Lancaster, TX 75146 or fax to 972-218-1399.

Office Use Only

ddowne Date: 5.24-11

Patricia Siegfried-Giles
The Artist Cottage
102 West 7th Street
Lancaster, Texas 75146
972.227.5714
E-mail psg@jergiles.com

PERSONAL:

Husband, Jerry W. Giles: Artist - Designer

EDUCATION:

Bachelor of Arts Speech and Drama, University of North Texas, 1970;
Double Minor History and English

PROFESSIONAL:

Self-employed Designer/Artist 1987 to Present
Agency Director Dallas Taping for the Blind, 1982-1987
United Way agency where volunteers read books on tape that are transferred to cassettes
Scenic Artist, 1977-1982

VOLUNTEER ACTIVITIES:

General Federation of Women's Clubs:

International Board of Directors 2006-2008
South Central Region; various appointments Board of Directors since 1995

Texas Federation of Women's Clubs:

State President 2006-2008, over 4000 members, 12 districts, 172 clubs
President-elect 2004-2006, First Vice President 2002-2004, Second Vice President 2000-2002, Recording Secretary 1998-2000, various appointments Board of Directors since 1986
Trinity District Volunteer of the Year 1997
Trinity District President 1994-1996; 30 clubs, 11 counties

Waxahachie:

Waxahachie Shakespeare Club, member 2004, President 2009-2010, affiliated w/ the Texas Federation of Women's Clubs General Federation of Women's Clubs

Lancaster:

Historic Landmark Preservation Committee, City of Lancaster
City Council appointment 1993-2005
Lancaster Cultural Arts Center Task Force, member 2006
Lancaster Historical Society; member 1974, Recording Secretary 2010-2012, President 2004-2006, Vice President, 1996-2004; Chair Bringing Back the City of Trees Project, Chair Museum Feasibility 1998-2000; Board of Directors 1992-1996; Vice President 1991; Secretary 1975-1983, Author, Producer, Director Lancaster History Puppet Show - toured Elementary Schools and one performance Town Square Celebration; Author of two chapters Lancaster History Book published 1976
Pleasant Run Chapter, National Society Daughters of the American Revolution; member 1994, Regent 1998-2000, Vice Regent 1996-1998
Lancaster Shakespeare Club; member 1977-2005, President 75th Anniversary 1984-1986

Dallas:

Les Femmes du Monde, member 1998, Secretary 2009-2011, President 2004, Secretary 2003, various committees
Women's Council Dallas Arboretum and Botanical Garden; member 1996, Chair Bulk Mail 2003-2004, Historian 2001-2002, PR for Holiday at the Arboretum Dinner Dance 2000
Hugh O'Brian Youth Leadership; Texas North Corporate Board of Directors 1997-2001
Library of Congress Talking Books Program; Narrator for 11 years, 1977-1988

HOBBIES:

NASCAR auto racing fan, sometime gardener, collector of Santa Claus & flamingo figurines



Jer Giles Patricia Siegfried-Giles

The Artist Cottage 102 W 7th Street Historic Lancaster TX 75146

JerGiles Artwalls Back Story

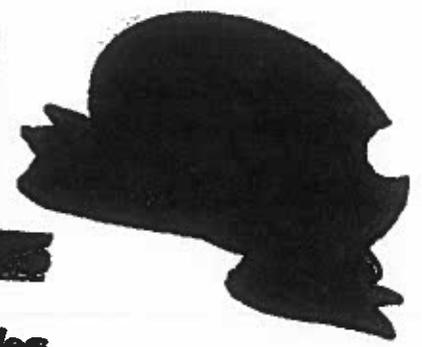
Jer Giles Artist * Designer * Visionary * Problem Solver Grew up in Huntsville, Alabama at the height of the space race in the town where failure was not an option. He got involved in theatre as early as high school. He moved to Texas and graduated with a Bachelor of Fine Arts in Theatrical Design and Production from the University of Texas in Austin in 1973. From there he worked in Dallas, known as "the third coast", as a Scenic Artist and painted sets for national stage, screen and television with three shows he's painted on Broadway.

In 1981 he crossed the footlights, started his own business, and began taking commissions to paint in homes, restaurants and offices. His is one of the most recognized names in the Decorative Arts in the Metroplex. With 29 years working in homes, Jer is a seasoned professional. He is experienced with new construction and remodeling pit-falls, knows how to deal with the other trades on the job, and delivers a masterpiece every time!

Patricia Siegfried-Giles Designer * Director * Grew up in the Air Force living in six states and one foreign country. She graduated from the University of North Texas with a Bachelor of Arts in Speech and Drama with a double minor in History and English in 1970. Her first job out of college was in a summer theatre in Carlsbad, New Mexico where she met Jer Giles who was the Designer and Technical Director. It was love at first sight and 2011 marks the year of their 41st wedding anniversary.

Patricia is active in many civic and social clubs most notably the Texas Federation of Women's Clubs General Federation of Women's Clubs. She served as State President for 2006-2008 representing over 4000 members and 172 clubs state wide. She is the past president of Les Femmes du Monde of Dallas, the Shakespeare Club in Waxahachie, the Lancaster Historical Society in Lancaster and past regent of the Pleasant Run Chapter of the National Society of the Daughters of the American Revolution.

Together they make a formidable couple providing painted solutions so that homes, offices, and even industrial spaces become warm, inviting, friendly and welcoming. As designers and artists they offer their clients quality, artistic integrity, service, attention to their needs and competitive, professional fees.



Jer Giles Patricia Siegfried-Giles
The Artist Cottage 102 W 7th Street Historic Lancaster TX 75146

Artist/Designer/Visionary/Problem Solver
Murals, custom wall finishes, fantasy finishes

Hot Shot

JerGiles Artwalls celebrating 30 years of murals and other effects of grandeur possible with paint

American Training in the European Style

Tuscan finishes, Old World borders and molding, Asian influences
Gold leaf, silver & metal leaf, traditional faux finishes, faux masonry,
You name it - we paint it

Magic Palette

Works from a palette to mix, match, and create his own colors

Keeps Green Studio

Uses water base paints since 1980's; no harm to homeowner, the artist, or the environment

CGI just like the movies

Computer Generated Imaging: 1989 began offering clients computer imaging. Now the digital camera captures the space, the image is transferred to the computer where the design is created, then the proposed design is sent to the client via e-mail

Publicity

Television: Designing Texas with Joycelyn White
Michael Holigan's Your New Home

Books: Villa Décor by Betty Lou Phillips
Faux Finishing for the First Time by Rhonda Rainey

Magazines: Dallas Home Design, Dallas-Fort Worth Design,
Dallas/Fort Worth Home and Design

Newspapers: Dallas Morning News, Today Papers, DMN Dallas Life Magazine

Claim to Fame

Jer is the artist The State Fair of Texas commissions to paint Big Tex

JerGiles Artwalls www.jergiles.com 214.415.0713