City of Fredericksburg

City Council Regular Meeting Agenda
Tuesday, August 20, 2024 ~ 9:00 AM
Law Enforcement Center
1601 E. Main Street
Fredericksburg, Texas 78624

Jeryl Hoover, Mayor
Tony Klein, Councilmember
Bobby Watson, Councilmember

Randy Briley, Councilmember
Emily Kirchner, Councilmember/Pro Tem
Clinton Bailey, City Manager

The City of Fredericksburg City Council will meet in a regular session on Tuesday, August 20, 2024, at 9:00 AM. The meeting will be live-streamed & available for re-watch on the City's website: fredericksburgtx.portal.civicclerk.com.

The City Council welcomes citizen participation and comments at all City Council Meetings on Agenda Items.
Comment Card for Written or Verbal Comments-submitted by 4 p.m. the day before the meeting.

i. Complete the Comment Card online at FBGTX.org;
ii. Make sure to check the appropriate box (verbal or written);
iii. Only one agenda item per Comment Card.

Sign up in person between 8:30 a.m. and 9:00 a.m. at the meeting location.

i. Only one agenda item per Comment Card;
ii. Speakers will be limited to three minutes to speak. **Please Note**: The Mayor can reduce the number of minutes for any speaker during Public Comment on a single agenda item depending on the number of people who sign up for it.
iii. Any citizen with handouts should provide them to the City Secretary before speaking. If you wish the City Council to receive your handouts for the meeting, please provide 10 copies; if not, the City Council will receive your handouts the following day.

NOTE: The City Council may recess into Executive Session to consider any item listed on this agenda if a matter is raised that is appropriate for discussion. An announcement will be made on the basis of the Executive Session discussion. The City Council may also publicly discuss any item listed on the agenda for the Executive Session.

Attendance By Other Elected or Appointed Officials: It is anticipated that the Planning & Zoning Commission, Historic Review Board, and Zoning Board of Adjustment members may attend the City Council Meeting at the date and time above in numbers that may constitute a quorum. Notice is hereby given that at the City Council Meeting at the date and time above, no Board or Commission action will be taken by such in attendance unless such item and action are specifically provided on a separate agenda posted subject to the Texas Open Meeting Act. This is not an agenda of an official meeting of the City Boards and Commissions, and minutes will not be taken.

1. **CALL TO ORDER - Mayor Jeryl Hoover**

2. **INVOCATION - John Ussery, Elder at Trinity Fellowship Church, will deliver the Invocation.**

3. **PLEDGES OF ALLEGIANCE - Mayor Jeryl Hoover will lead the Pledges**

4. **CEREMONIAL ITEMS**

   A. Service Recognition for Peggy Benson who served a total of 33 years on the Market Square Redevelopment Commission. (Mayor Hoover to present Plaque, Andrea Schmidt, Director of Parks & Recreation and Chair Tim Crenwelge)

   B. Recognition of New Parks & Recreation City Employee Emmett Leija and Development Services City Employee Jeanette Sanchez.

5. **COUNCIL COMMENTS**

6. **CONSENT**

   THE FOLLOWING ITEMS MAY BE ACTED UPON IN A SINGLE MOTION. NO SEPARATE DISCUSSION OR ACTION ON ANY OF THESE ITEMS WILL BE HELD UNLESS PULLED AT THE REQUEST OF A MEMBER OF THE CITY COUNCIL.

   A. Consider approval of City Council Minutes for the Regular Meeting of July 16, 2024. (Leticia Vacek, City Secretary)

7. **ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS**

   A. Consideration and approval of Ordinance 2024-24 amending Section 24.400, “Fees For Use of Lady Bird Johnson Park and Campgrounds relating to "Recreational Fees,” appendix A, “Fee Schedule,” of the Fredericksburg Code of Ordinances, by decreasing the daily rate at the Campgrounds. (Andrea Schmidt, Director of Parks and Recreation)

   B. Consideration and approval of Ordinance 2024-25 related to the Health Permit Fee Schedule. (Kelli Olfers, Director of Gillespie County Health Division)

   C. CONSIDERATION AND APPROVAL OF ORDINANCE 2024-26 BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS AUTHORIZING THE ISSUANCE OF “CITY OF FREDERICKSBURG, TEXAS, UTILITY SYSTEM REVENUE BONDS, SERIES 2024”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PRIOR LIEN OBLIGATIONS, BY A FIRST AND PRIOR LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE CITY'S COMBINED UTILITY SYSTEM; PROVIDING THE TERMS AND

CONDITIONS OF SUCH BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND SALE DOCUMENTATION; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE. (Garret Bonn, Asst. City Manager)

i. Presentation by Dan Wegmiller, Specialized Public Finance, Inc. (Financial Advisor)
ii. Hold a Public Hearing (Mayor declares the Public Hearing open and calls upon individuals to speak. Mayor declares the Public Hearing closed)
iii. Take Action to Adopt Ordinance No. 2024-26

8. OTHER ACTION ITEMS AND UPDATES

A. Consideration and Approval of the City's Bank Depository Contract for Financial Services. (Krista Wareham, Director of Finance)

B. Consideration of the Proposed Tax Rate Approval. (Krista Wareham, Director of Finance)

C. Consider the appeal of the denial of a Short-Term Rental-Unoccupied Permit Application requested by Joel Ratliff for the property located at 105 E Burbank. (Anna Hudson, Director of Development Services)

D. Consideration and Possible Action for a contract with TXP to conduct a Feasibility Analysis of a Tax Increment Reinvestment Zone (TIRZ). (Anna Hudson, Director of Development Services)

E. Consider and Take Action on Appointments to the Market Square Redevelopment Commission, Historic Review Board and Zoning Board of Adjustment (Garret Bonn, Asst. City Manager)

9. CITY MANAGER’S REPORT

A. City Manager's Monthly Update

10. ITEMS FOR FUTURE AGENDA

A. Future Agenda Items List

11. EXECUTIVE SESSION

The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code (Sections 551.072 & 551.074):

A. Consider and discuss Real Estate in the vicinity of US 290E and Industrial Loop (Section 551.072)

B. Consider and discuss Real Estate in the vicinity of US 290E and Old San Antonio Rd. (Section 551.072)

C. Consider and discuss the appointment, evaluation, reassignment, duties, or dismissal of a public officer, specifically the appointment of persons to fill vacancies on the City's Boards and Commissions (Section 551.074)

D. Consider and discuss the value and possible disposition of city-owned real properties located throughout the City (Section 551.072)

12. BUSINESS ITEM

The City Council will reconvene into Regular Session upon the conclusion of the Executive Session, the City Council may take action on any item posted in Executive Session, as necessary.

13. ADJOURN

CERTIFICATION

This is to certify that I, Leticia Vacek, posted this Agenda at 4 p.m. on August 15, 2024 on the bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.

Leticia Vacek

Leticia Vacek, TRMC/CMC/MMC
City Secretary

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Secretary
TO: Mayor & City Council Members
FROM:
MEETING DATE: August 20, 2024 **CATEGORY:** CEREMONIAL ITEMS

CAPTION: Service Recognition for Peggy Benson who served a total of 33 years on the Market Square Redevelopment Commission. (Mayor Hoover to present Plaque, Andrea Schmidt, Director of Parks & Recreation and Chair Tim Crenwelge)

PRESENTATION:

SUMMARY:

BACKGROUND:

FUNDING SOURCE: **FINANCIAL IMPACT:**

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Neighborhood Quality
Workforce
Tourism
City Center
Mobility
Small Town Sensitive Growth
Governance

ATTACHMENTS:
None

APPROVAL/REVIEW:

Leticia Vacek

Date: August 16, 2024

Leticia Vacek, City Secretary

William McKamie, City Attorney

Date: August 16, 2024

Leticia Vacek, City Secretary

Date: August 16, 2024

Clinton Bailey, City Manager

Date: August 16, 2024

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Secretary
TO: Mayor & City Council Members
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Governance

ATTACHMENTS:
None

APPROVAL/REVIEW:

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Date: August 16, 2024

Leticia Vacek, City Secretary

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City of Fredericksburg

City Council Regular Meeting Minutes
Tuesday, July 16, 2024 ~ 9:00 AM
Law Enforcement Center
1601 E. Main Street
Fredericksburg, Texas 78624

Members Present:
Mayor Jeryl Hoover
Mayor Pro-Tem Emily Kirchner
Councilmember Randy Briley
Councilmember Tony Klein
Councilmember Bobby Watson

Members Absent:
None

City Staff Present:
Clinton Bailey, City Manager
Garret Bonn, Assistant City Manager
Leticia Vacek, City Secretary
Bessie Bronstein, City Attorney
Brian Vorauer, Chief of Police
Shelley Becker, Presiding Municipal Court Judge
Krista Wareham, Director of Finance
Kris Kneese, Director of Public Works & Utilities
Aaron Anderegg, Director of Information Technology
Andrea Schmidt, Director of Parks and Recreation
Reagan Rabke, Fire Marshal
Shelby Collier, Senior Planner, Development Services
Leslie Embrey, Assistant to the City Secretary

1. CALL TO ORDER

Mayor Hoover called the July 16, 2024, Regular City Council Meeting to order and announced that a quorum had been met.

2. INVOCATION

Mayor Hoover introduced Paige Findley, who led the Invocation.

3. PLEDGES OF ALLEGIANCE

Mayor Hoover led the Pledges to the US and Texas Flags.

4. CEREMONIALS/EMPLOYEE RECOGNITION

Mayor Hoover recognized and thanked Krista Wareham, Director of Finance, and the Finance Department Staff for receiving the 2024 Financial Excellence Award from the Government Finance Officers Association. He stated that the award represents a significant achievement and commitment in meeting the highest principles of governmental budgeting.

Mayor Hoover and Presiding Municipal Court Judge, Shelley Becker, thanked Judge James E. Heupel for his dedication to the community and presented him with a plaque for over 27 years of judicial service to our Country during his military service in the USAF and to the City of Fredericksburg. Judge Heupel stated that it has been an honor and privilege to serve as Associate Judge for the Municipal Court for the past 15.5 years.

Kris Kneese introduced Sibyl Deckard, the newest City Engineer and highlighted the positive impact she has already provided to the department and the city.

5. COUNCIL COMMENTS

Councilmember Briley highlighted the Cross Mountain Dedication and Citizens University events in June. He added that a total of 20 individuals are participating in the Citizens University with several applying for the Board and Commission vacancies. Lastly, he reported on the input gathered from Business Owners at the July 2nd Main Street Town Hall Meeting hosted at the Convention & Visitor Bureau.

Councilmember Klein announced that the County Commissioners updated their Meeting Procedures to also include the Texas Pledge. He noted that the Market Square Redevelopment Commission received a request from Oktoberfest organizers regarding the installation of the Glockenspiel in the Marktplatz. Additionally, the Market Square Redevelopment Commission membership was also discussed.

Councilmember Watson reported that he attended the Economic Development Commission and the Airport Advisory Board Meetings. He noted that the hangar rental was at 100% Occupancy with 36 on the waiting list. He added that a total of 26 individuals were enrolled in the Cross Wind Aviation Pilot Training Program. As for fuel, he noted that a total of 282,000 gallons had been sold ending June, 2024 which was on target with the annual projected sale of 600,000 gallons. Councilmember Watson also highlighted the City's growth and spoke to the importance of the city considering the needs of families during the budget process.

Mayor Pro-Tem Kirchner highlighted Oak Crest Park Soccer Field Improvements and noted that in partnership with the Parks Department, Friends of the Fields, the Native Plant Society of Texas – Fredericksburg Chapter, and Superior Services Tree Care, a total of 50 native trees would be planted in preparation for the Fall Soccer Season.

Mayor Hoover introduced Bessie Bronstein and announced that she was attending the meeting on behalf of Mick McKamie, City Attorney. He thanked her for her presence.

6. CONSENT

A. Consider approval of City Council Minutes for the following meetings:

May 21, 2024 Regular Council Meeting
May 30, 2024 Special-Called Council Meeting
June 4, 2024 Regular Council Meeting

B. Renewal of Environmental Systems Research Institute, Inc. (ESRI) Enterprise Subscription for GIS Services.

A motion was made by Mayor Pro-Tem Kirchner and seconded by Councilmember Klein to approve Items 6A and Item 6B subject to the corrections to the minutes provided to the City Secretary. The motion carried unanimously.

7. ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS

A. Consideration and approval of Court of Record Ordinance No. 2024-19 by the City Council of the City of Fredericksburg, Texas, authorizing and approving the creation of a Municipal Court of Record and provisions provided therein including a Municipal Court Child Safety Trust Fund and Juvenile Case Manager, providing an effective date of July 16, 2024. (Shelley Becker, Municipal Court Judge)

i. Presentation by Staff
ii. Hold Public Hearing (Mayor declares Public Hearing Open and recognizes Individuals Registered to Speak) (Mayor declares Public Hearing Closed)
iii. Consideration/Action on Ordinance No. 2024-19

Judge Becker reported that in addition to creating a Municipal Court of Record, Ordinance 2024-19 also included provisions providing for the creation of a Court Child Safety Trust Fund and a Juvenile Case Manager position. She reported that a $5 fee would be added to each parking violation and a $25 administrative fee to each warrant issued. It was noted that approximately $50 per month is anticipated to be generated from parking violations with all fees collected.

Judge Becker reported that the creation of the Juvenile Case Manager position is recommended due to a current gap in follow-up services as well as an increase in local truancy cases and the passage of State Juvenile Diversion provisions. She added that the Case Manager would serve as a liaison between the Court, the Juvenile, their family, and the school district to ensure compliance with Diversion Plans. Said position would also be responsible for coordinating the Teen Court Program.

Judge Becker spoke to the funding of the new position and would work with Fredericksburg Independent School District to identify other funding sources. She mentioned that a grant was available from the Governor's Office. Lastly, Judge Becker noted that the Ordinance also included training standards required to be adopted by the City Council.

Mayor Hoover opened the Public Hearing and announced that no citizens had signed up to speak. Mayor Hoover declared the Public Hearing closed.

Councilmember Briley recommended allocating additional funds to the Municipal Court Budget to be utilized at the Judge's discretion. Judge Becker stated that the department could access available Restricted Funds and reported that State law dictated how funds could be utilized. She added that the Department had about $40,000 in cost savings which would be utilized to partially fund the Juvenile Case Manager position. Mayor Pro-Tem Kirchner spoke in support of the item and thanked Judge Becker for seeking additional funding sources.

A motion was made by Councilmember Klein and seconded by Councilmember Briley to adopt Ordinance 2024-19. The motion carried unanimously.

B. Request Z-2411: Applicant Brian Ognian - Consideration for a Conditional Use Permit (CUP) per Section 3.510 to Allow for a Standardized Business in the Historic Shopping District for the Property Located at 202 East Main Street. (Shelby Collier, Senior Planner)

i. Presentation by the Applicant
ii. Staff Report
iii. Hold Public Hearing (Mayor declares Public Hearing Open and recognizes Individuals Registered to Speak) (Mayor declares Public Hearing Closed)
iv. Consideration/Action on Ordinance 2024-20.

Shelby Collier provided an overview of the CUP application submitted by Kilwins stating the property location and zoning classification. She reported that the East Coast based franchise business would be selling chocolates and other sweet treats.

Mayor Hoover declared the Public Hearing open for public comment.

Dr. Eric Hammersen voiced his concern with the City's interpretation of "chain store."

Annette Bennett voiced her opposition to the CUP request due to their franchise-business model.

Mayor Hoover declared the Public Hearing closed.

Councilmember Briley expressed concern with the property location and encouraged the business to seek a more suitable location.

In response to Mayor Pro-Tem Kirchner, Mrs. Collier replied that the city defined a "chain store" as a business with ten or more locations nationwide. She clarified that Allen's Boots did not meet the definition as there are less than ten stores nationwide. She noted that James Avery's request for a CUP was approved because it was considered a local store due to their Kerrville origination.

In response to Mayor Hoover, Mrs. Collier replied that Chase Bank was exempt from compliance because their business existed prior to the adoption of the current Ordinance.

A motion was made by Councilmember Klein and seconded by Mayor Pro-Tem Kirchner to deny the conditional use permit and Ordinance 2024-20. The motion carried unanimously.

C. Request Z-2412: Pat Schulte, Applicant for Randolph Brooks Federal Credit Union is Requesting Consideration of a Conditional Use Permit (CUP) per Section 3.210 to Allow for a Drive-Thru Use for the Property Located on the Northeast Corner of Highway 87 South and Friendship Lane also referred to as Lot 3R-A of the Post Oak Park Subdivision, 599 S. Washington St. (Shelby Collier, Senior Planner)

i. Presentation by the Applicant
ii. Staff Report
iii. Hold Public Hearing (Mayor declares Public Hearing Open and recognizes individuals Registered to Speak) (Mayor declares Public Hearing Closed)
iv. Consideration/Action on Ordinance 2024-21

Shelby Collier clarified that the property in question had two addresses on file as the recent re-platting resulted in the issuance of a second address. She reported that all required Public Notices referenced the property's legal description of Lot 3R-A of the Post Oak Subdivision including the location of the re-platted property which is the Northeast Corner of Highway 87 and Friendship Lane.

Ms. Bronstein stated that the City Council could proceed with the Public Hearing as the property was described by both its legal description and physical location.

Eric Essler, representative for Randolph Brooks Federal Credit Union, stated that RBFCU was the largest credit union in the State of Texas with most of its 83 locations concentrated in San Antonio and the Hill Country. He described the property improvements and spoke to the importance of preserving trees.

Mrs. Collier reported that RBFCU submitted a Site Plan, CUP Request, and an Entry Corridor Application for the property located on the Northeast Corner of Highway 87 and Friendship Lane. She added that the City Council was required to act on the CUP Request as the Planning and Zoning Commission approved the Site Plan and Entry Corridor Application on July 2nd. She highlighted site improvements and noted that the bank drive-thru was relocated at the suggestion of staff to mitigate traffic congestion. The traffic now would be exiting Highway 87, and that TXDoT permitting, and approval was required.

Mrs. Collier stated that staff was recommending approval of the CUP Request with the condition that parking on the north side of the lot be reserved for staff only.

Mrs. Collier also clarified that staff did not have concerns with the right-in and right-out point of entry nor with the stacking of 5 vehicles for a 3-lane drive-thru. She added that traffic would not be impacted or impeded on either street. Lastly, with regards to the proposed signage included with their request; it complies with the Sign Ordinance.

A discussion ensued regarding the number of parking spaces and Mrs. Collier clarified that staff determined that RBFCU did not need more than 8 parking spaces and that the remaining parking spaces be used for green space.

Councilmember Watson recommended eliminating the 4 parking spaces next to the entrance at Friendship Lane and that all other parking spaces be near the bank.

Mayor Hoover opened the Public Hearing for comment.

John Whittiman, a 40-year member of RBFCU, spoke in support of the item. Tom Mussleman, Planning and Zoning Commission Board Member, spoke in opposition to the CUP due to safety concerns of ingress/egress on both Highway 87 and Friendship Lane. He also noted his concern about the reduction of parking spaces. Pat Sadd, resident, voiced her concern with traffic flow from vehicles exiting drive-thru businesses located across the street from each other.

Mayor Hoover declared the Public Hearing closed.

A motion was made by Councilmember Briley and seconded by Mayor Pro-Tem Kirchner to approve the CUP Request/Ordinance 2024-21 with staff's recommendations.

Mayor Hoover reiterated that the motion on the floor was to approve the CUP Request as presented with staff's recommendations. The motion carried unanimously.

8. OTHER ACTION ITEMS AND UPDATES

A. Consider creating an Annexation Development Agreement for 9.37 acres known as Kinman Subdivision Lot 2BR on Mariposa Drive in the Extra-Territorial Jurisdiction of the City of Fredericksburg. (Anna Hudson, Director of Development Services) Tabled June 18, 2024

A motion was made by Mayor Pro-Tem Kirchner and seconded by Councilmember Klein to remove the item from the Table. The motion carried unanimously.

John Kroll, applicant, informed the Council that the Site Plan submitted requested a zoning classification of R1-A without a variance. He stated that the Conceptual Plan was to have 50 to 60 small single-family lots on the tract of land.

Mayor Hoover announced that the following residents of Heritage Hill Country Subdivision submitted written comments in opposition to the item with the primary reason being density:

Barbara Groves
Michael and Regina Wallace
Brent Hinckley
Dana Kasberg

At this time, Mayor Hoover called upon the citizens registered to speak.

Pat Sadd voiced concern with the proposed R1-A zoning classification.

Garret Bonn, Assistant City Manager, clarified that the City Council was being asked to consider entering into an Annexation Development Agreement with the property located in the City's Extra-Territorial Jurisdiction (ETJ). He further stated that the property would be developed in accordance with the City's ETJ provisions that address subdivision development and signage, and that the property did not qualify for City Services.

Annette Bennett voiced concern with the estimated revenue-to-cost ratio and with the City investing in infrastructure for the property. She requested the item be denied.

Tim Dooley addressed the annual net revenue loss to the city of $41,000 and $1.6 million over 40 years. He voiced concern with the staff's recommendation noting it had been denied twice by the Planning and Zoning Board and tabled during the June 18th City Council Agenda.

Jim Hambright stated that the proposed high-density project was contradictory to the City's mission of developing an efficient growth plan that reflected the value of the community, land use, and preserved the identity of the community.

Jeffrey Kolb addressed concerns with the lack of transparency with the citizen participation process and the traffic study commissioned by the developer.

Mark Johnson said that each Site Development Plan presented to the City and County by the developer has not addressed traffic concerns.

Curtis Register stated that the development as currently proposed was not a good fit for the community and recommended that the City Council deny approval.

Kelli McDonald voiced concern with the city funding future safety and flood control improvements.

Mr. Kroll stated that, except for the Accessory Dwelling Units (ADUs), the R1-A zoning classification as noted in the Site Plan was consistent with the Comprehensive Plan. He clarified that ADUs were not considered in the initial concept plan for a 6,000 square-foot lot.

Councilmember Klein voiced concern with increased traffic and stated that he would support the Development Agreement if the developer identified solutions for ingress and egress challenges.

Mayor Pro-Tem Kirchner spoke to the importance of considering future costs to the city when voluntarily annexing land. She voiced concern with several items including safety along Highway 290, capacity of the lift station to service the area, high property density, and lack of green space.

Councilmember Watson stated that the traffic study reflected today's traffic needs and did not address future traffic needs/flow.

Mayor Hoover spoke in opposition to the plan as presented as it did not meet the needs of the community.

Ms. Bronstein clarified that the City Council was considering the approval of the voluntary annexation of the land, not the provisions of the Development Agreement nor Zoning. She reported that if the City Council approved the voluntary annexation, the finalized Development Agreement was required to go through the same review process as other housing developments. She added that the Agreement could be amended at any time and that the city could negotiate on development improvements.

Councilmember Briley addressed the negative financial impact the development would have on the City and the public safety concern with the development only having one egress and ingress.

Mayor Hoover voiced concern with the City not having control on how the property could be developed and with findings of the traffic study. Ms. Bronstein stated that state law limited the City's ability to restrict development for property in its ETJ. She reported that if the City Council denied the request for Voluntary Annexation, the applicant would be required to re-apply.

In response to Mayor Pro-Tem Kirchner, Mr. Bonn reported that the city would not be responsible for upfront costs if the request for Voluntary Annexation was approved. He added that staff would ensure that the Annexation Agreement included provisions that the developer pay for all site assessments such as a new traffic study and all identified infrastructure improvements.

A motion was made by Councilmember Briley and second by Councilmember Klein to deny the Annexation Development Agreement requested for the 9.37 acres of land known as the Kinman Subdivision Lot 2BR on Mariposa Drive in the Extra-Territorial Jurisdiction of the City of Fredericksburg. The motion carried unanimously.

B. Consider Approval of a Construction Contract Award to JM Pipeline, LLC for Hollmig Lane Sanitary Sewer Rehabilitation Project (Kris Kneese, Director of Public Works & Utilities)

Kris Kneese reported that the department allocated funds in the FY 2024 Budget to replace the sanitary sewer infrastructure in the area of Hollmig and Friendship Lanes. He described the scope of work and reported that JM Pipeline, LLC submitted the lowest qualified bid totaling $353,681.50.

A motion was made by Councilmember Watson and seconded by Councilmember Briley to award the bid to JM Pipeline, LLC as recommended by staff. The motion carried unanimously.

C. Consider the Approval of a Construction Contract Award to Environmental Improvements, Inc. for the Water Reclamation Facility Bar Screen Replacement Project (Kris Kneese, Director of Public Works & Utilities)

Kris Kneese reported that the department allocated $286,000 in the FY 2024 Budget to replace equipment at the Water Reclamation Facility. He highlighted the bid process and noted that during the 3-week advertising period, Environmental Improvements, Inc. submitted the only bid in the amount of $324,900. Mr. Kneese added that the department would fund the $38,900 shortfall using savings from other Water Department projects.

A motion was made by Councilmember Klein and seconded by Councilmember Briley to award the bid to Environmental Improvements, Inc. as recommended by staff. The motion carried unanimously.

D. Consider and take action on appeal of Short-Term Rental (STR) Permit denial for 705 E. Highway St. #104 by Owners Steve Jones and Dena Largent (Shelby Collier, Senior Planner)

Shelby Collier reported that the most recent STR Permit on file for the property at 705 E. Highway Street, #104 expired on August 31, 2023. That permit reflected a non-conforming use status. She added that a renewal application was not submitted as the condominium was being occupied by a long-term tenant. Upon the condominium becoming vacant, the property owner submitted a renewal application requesting the re-instatement of the STR Permit. Mrs. Collier stated that the application was denied by the Planning and Zoning Board as condominiums are no longer allowed to be used as short-term rentals.

Mrs. Collier added that later, the Zoning Board of Adjustment would consider the applicant's request for a Definition of Interpretation as the applicant was requesting to be issued a STR-Unoccupied Permit with special exceptions, similar to the 2022-2023 designation.

Mayor Hoover recognized Dena Largent, property owner.

Ms. Largent stated that the tenant was on a month-to-month lease as he intended to purchase the property; unfortunately, he passed away prior to the completion of all paperwork. She spoke about the financial hardship she would incur as she was not able to sell the property without a valid STR Permit.

In response to Councilmember Briley, Ms. Collier clarified that the new STR Ordinance did incorporate a grandfather provision for the continued use of condominiums as short-term rentals and that the provision required the applicant to submit a renewal application. Ms. Largent noted that the new Ordinance does not state that the property owner was prevented from operating as a STR in the future if a renewal permit was submitted regardless of the circumstances.

A motion was made by Councilmember Klein and seconded by Mayor Pro-Tem Kirchner to deny the appeal for the issuance of a STR Permit for 705 E. Highway St., #104. The motion carried unanimously.

E. Consider and take action on appeal of STR Permit denial for 705 W. Travis St. by Owners Mark & Julianne King (Shelby Collier, Senior Planner)

Shelby Collier reported that the property owners operated 3 rental properties in total, all of which were compliant with occupancy tax payments and had no violations on file. She added that a Granicus Software error prevented the property owner from submitting a renewal application for the property at 705 W. Travis prior to the November 31, 2023, expiration date.

Julianne King, property owner, addressed the challenges encountered with identifying 705 W. Travis as a rental property within the Granicus System and the time involved having to submit original paperwork and occupancy tax payments each quarter to the City just for this property.

A motion was made by Councilmember Briley and seconded by Mayor Pro-Tem Kirchner to re-instate the STR-Unoccupied Permit for 705 W. Travis St. The motion carried unanimously.

9. CITY MANAGER'S REPORT
A. City Manager's Monthly Update

City Manager Clinton Bailey reported that a total of 182 Single-Family residential subdivision lots had been completed out of the 720 approved for construction while 550-600 multi-family lots had been approved for construction.

Kris Kneese, Director of Public Works & Utilities, highlighted several Capital Improvement Projects and noted that status reports would be provided to the Mayor and Council. He added that staff would start working on the South Llano Shared Use Pedestrian Bridge and Ufer St. Sidewalk Project once the Pedestrian Bridge, which was scheduled to be delivered July 17th, was installed. He noted that the project was funded through a TxDOT Grant.

Mr. Kneese reported that staff began paving streets identified in the 2024 Street Paving Program on July 9th and approximately 90 blocks or 350,0000 sq. yards of pavement would be coated with a single course of chip seal. He highlighted additional mill and overlay repairs to be completed by TxDOT along Main Street. Lastly, an Aquifer Level report as of July 12th was provided of various wells throughout the city.

Mr. Bailey highlighted Park events scheduled for July 27-28, 2024.

Krista Wareham, Finance Director, highlighted Revenues and Expenditures as of June 2024 and stated that this was similar to the June financials over the last 3 years. She anticipated the city would be on target, if not a little over, for budgeted FYE revenues. With regards to the area of expenditures, she estimated a cost savings from Public Works Capital Improvement Projects, Maintenance and Operations, and Personnel. Mrs. Wareham reported that salaries had been adjusted reflecting COLA and merit increases and that the Step-Plan had been implemented.

Mr. Bailey reported on Sales Tax Revenue generated, Electric and Wastewater Revenue, Consumption, Police Incidents and Calls for Service. He also covered Code Enforcement Statistics, Fire and EMS incidents and the Health Department activity all as of June 2024.

Mr. Bailey noted that the city had a total of 16 Full-time vacancies and one Part-time vacancy with several positions being filled by either a new hire or internal/former staff member.

In the area of Civic Engagement, Mr. Bailey reported that over thirty individuals attended the Main Steet Merchant Town Hall Meeting. He also highlighted the Coffee with the City Manager scheduled for July 17th and the Fredericksburg Citizens University scheduled for July 23rd. Lastly, Mr. Bailey reported on Soccer Field Improvements completed since May 17, 2024.

10. ITEMS FOR FUTURE AGENDA
A. Future Agenda Items Highlighted

City Manager Bailey reported on items to be discussed at the August 6th Council Meeting to include Health Department fees, Issuance of the Certificates of Obligation, Truth in Taxation Rates, and Conceptional Plans of the Glockenspiel at MarktPlatz.

11. EXECUTIVE SESSION

The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code Section (551.072):

A. Consider and discuss Real Estate in the vicinity of US 290E and Old San Antonio Rd. (Section 551.072)

B. Consider and discuss the value and possible disposition of city-owned real properties located throughout the City (Section 551.072)

At this time, Mayor Hoover announced that the City Council Meeting would be recessed to go into executive session to discuss the posted items.

12. BUSINESS ITEM

Mayor Hoover reconvened the meeting into Regular Session and announced no action.

13. ADJOURN

Mayor Hoover adjourned the meeting at 12:13 pm.

____
Jeryl Hoover, Mayor

ATTEST:

____
Leticia Vacek, TRMC,CMC,MMC
City Secretary/RMO

CITY COUNCIL AGENDA MEMO

DEPARTMENT: Parks and Recreation
TO: Mayor & City Council Members
FROM: Andrea Schmidt, Parks and Recreation Director
MEETING DATE: August 20, 2024

CATEGORY: ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS

CAPTION: Consideration and approval of Ordinance 2024-24 amending Section 24.400, "Fees For Use of Lady Bird Johnson Park and Campgrounds relating to "Recreational Fees," appendix A, "Fee Schedule," of the Fredericksburg Code of Ordinances, by decreasing the daily rate at the Campgrounds. (Andrea Schmidt, Director of Parks and Recreation)

PRESENTATION:

SUMMARY:
The RV rates at Lady Bird Johnson Municipal Park (LBJMP) were last raised in October 2023. This adjustment was to cover the increase in costs and to be competitive with the current market. Staff researched other local RV parks for comparison. Monthly and weekly rates increased minimally, but the daily rates saw a larger increase.

Tier 1, the premium spots, including pull-throughs and the Horseshoe Loop, went from a daily rate of \$52 to \$80. The Tier 2 spots which include back in locations, went from \$48 to \$60. This increase has received significant push back and revenues and occupancy since this increase went into effect have both decreased. Staff recommends Tier 1 daily rate to be set at \$59 and Tier 2 to be set at \$52. This will be more in line with other local RV parks and similar to the increase that went into effect in 2023 for the monthly and daily fees.

BACKGROUND:
LBJMP does not offer discounts such as Good Sam, military, first responders, etc. LBJMP does not meter electricity usage for monthly rates like most other local RV parks.

Monthly rentals are available from September 1st to March 31st of each year. The Director of Parks and Recreation may designate certain dates to require a two-night minimum occupancy for recreational vehicle (non-tent) campsites to encourage the best use of available recreational vehicle campsites during periods of peak demand.
Since RV rentals are taken a year in advance, the majority of the impact on the general fund revenues will not be seen until FY 2026.

FUNDING SOURCE: General fund revenue

FINANCIAL IMPACT:
Approximately \$50,000+

STAFF RECOMMENDATION:
Adopt an ordinance to increase RV fees at Lady Bird Johnson Municipal Park with an effective date of August 20, 2024.

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Business Visioning
Government Vision
Family Life Vision
Quality of Life Vision

ATTACHMENTS:
1. RV Fees Ordinance

APPROVAL/REVIEW:

Andrea Schmidt
______________________________ Date: August 05, 2024
Andrea Schmidt, Parks and Recreation Director

______________________________ Date: August 16, 2024
William McKamie, City Attorney

______________________________ Date: August 16, 2024
Leticia Vacek, City Secretary

______________________________ Date: August 16, 2024
Clinton Bailey, City Manager

ORDINANCE NO. _______________

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, AMENDING SECTION 24.400, "FEES FOR USE OF LADYBIRD JOHNSON PARK AND CAMPGROUNDS," OF ARTICLE 24.000, "RECREATIONAL FEES," OF APPENDIX A, "FEE SCHEDULE," OF THE CODE OF ORDINANCES, CITY OF FREDERICKSBURG, TEXAS, BY AMENDING THE FEE SCHEDULE FOR THE USE OF LADYBIRD JOHNSON PARK AND CAMPGROUNDS; PROVIDING THAT THIS ORDINANCE SHALL BE CUMULATIVE OF ALL ORDINANCES; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Fredericksburg is a home rule city acting under its charter adopted by the electorate pursuant to Article XI, Section 5 of the Texas Constitution and Chapter 9 of the Local Government Code; and

WHEREAS, the City Council finds it necessary to change the rental fees related to the use of the Ladybird Johnson Park and Campgrounds; and

WHEREAS, the City Council has determined that the fees as outlined herein are in the best interest of the health, safety, and general welfare of the citizens of the City of Fredericksburg and the public.

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

Section 1. The findings above are found to be true and correct and are incorporated herein.

Section 2. Subsection (i) of Section 24.400, "Fees for Use of Ladybird Johnson Park and Campgrounds," of Article 24.000, "Recreational Fees," of Appendix A, "Fee Schedule," of the Code of Ordinances, City of Fredericksburg, Texas, is hereby amended in its entirety to read as follows:

"Sec. 24.400. - Fees for use of Ladybird Johnson Park and Campgrounds.

***

(i) The following fees are for occupancy of one (1) recreational vehicle (RV) (non-tent) campsite:

1. Fees for all pull-through or premiere Pecan Orchard and Horseshoe Loop RV campsites:

    a. Daily Rate: $59.00*
    b. Weekly Rate: $354.00*

c. Monthly Rate: $710.00*

2. Fees for all other RV campsites not listed above:

   a. Daily Rate: $52.00*
   b. Weekly Rate: $312.00*
   c. Monthly Rate: $646.00*

   *The amounts listed above include the cost of occupancy of one (1) RV (non-tent) campsite, and include fees associated with the provision of water, electricity, sewer, basic cable, and basic wireless access.

3. Monthly rentals are available from September 1 to March 31 of each year. The Director of Parks and Recreation may designate certain dates as requiring a two-night minimum occupancy for RV (non-tent) campsites during peak periods of high rental demand.

***"

Section 3. Cumulative. This Ordinance shall be cumulative of all provisions of ordinances of the Code of Ordinances, City of Fredericksburg, Texas, as amended, except where the provisions of this Ordinance are in direct conflict with the provisions of such ordinances and such code, in which event the conflicting provisions of such ordinances and such code are hereby repealed.

Section 4. Severability. It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this Ordinance are severable, and if any phrase, clause, sentence, paragraph, or section of this Ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation in this Ordinance of any such unconstitutional phrase, clause, sentence, paragraph, or section.

Section 5. Effective Date. This Ordinance shall be in full force and effect from and after the date of its passage.

PASSED AND APPROVED on this the 20 day of August, 2023.

____
Jeryl Hoover, Mayor

ATTEST:

____
, , City Secretary

APPROVED AS TO FORM:

____

Mick McKamie, City Attorney

CITY COUNCIL AGENDA MEMO

DEPARTMENT: Health Department
TO: Mayor & City Council Members
FROM: Kelli Olfers, GC Health Director
MEETING DATE: August 20, 2024

CATEGORY: ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS

CAPTION: Consideration and approval of Ordinance 2024-25 related to the Health Permit Fee Schedule. (Kelli Olfers, Director of Gillespie County Health Division)

PRESENTATION:

SUMMARY:
Consideration of Ordiannce No. 2021-25 amending the Gillespie County Health Division fee schedule.

BACKGROUND:
The Gillespie County Health Division last assessment and update of fees was in September 2021. An extensive study has been conducted to determine what other health departments charge for their services, and in conclusion, the Gillespie County Health Division has been offering more services without an appropriate fee schedule to cover cost incurred.

FUNDING SOURCE: General Fund - City/County **FINANCIAL IMPACT:**

STAFF RECOMMENDATION:
Staff recommends approval of Record Ordinance No. 2021-25.

COMPREHENSIVE PLAN GUIDING PRINCIPLE:

Governance

ATTACHMENTS:
1. Ordinance 2021-25 Health Permit Fees.TOASE. Clean

APPROVAL/REVIEW:

Kelli Olfers, GC Health Director

Date: July 31, 2024

William McKamie, City Attorney

Date: August 02, 2024

Leticia Vacek, City Secretary

Date: August 16, 2024

Clinton Bailey, City Manager

Date: August 16, 2024

ORDINANCE NO. 2021-25

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, AMENDING ARTICLE 25.000, "HEALTH DEPARTMENT FEES," OF APPENDIX A, "FEE SCHEDULE," OF THE CODE OF ORDINANCES, CITY OF FREDERICKSBURG, TEXAS, BY AMENDING THE FEE SCHEDULE FOR FOOD ESTABLISHMENT INSPECTIONS, PLAN REVIEW, AND PERMITS ISSUED BY THE CITY; PROVIDING THIS ORDINANCE SHALL BE CUMULATIVE OF ALL ORDINANCES; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Fredericksburg, Texas (the "City"), is a home rule city acting under its charter adopted by the electorate pursuant to Article XI, Section 5 of the Texas Constitution and Chapter 9 of the Local Government Code; and

WHEREAS, the Gillespie County Health Division serves as the regulatory authority for food establishment inspections, plan review, and permits issued pursuant to City regulations; and

WHEREAS, the City Council finds it necessary to amend the fees in accordance with the Gillespie County Health Division fee schedule for food establishment inspections, plan review, and permits issued by the City; and

WHEREAS, the City Council has determined that the fees as outlined herein are in the best interest of the health, safety, and general welfare of the citizens of the City and the public.

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

Section 1: The findings above are found to be true and correct and are incorporated herein.

Section 2. Section 25.100, "Permits issued by the Health Department," of Article 25.000, "Health Department Fees," of Appendix A, "Fee Schedule," of the Code of Ordinances, City of Fredericksburg, Texas (the "Code"), is hereby amended to read as follows:

"**Sec. 25.100. - [Permits issued by the Health Department.]**

The following fees shall be paid for permits issued by the Health Department:

A. Institutional Food Service Establishment
$150 per year

B. Fixed Retail Food Establishments:

1. Tier 1 (1 -5 employees)		3. Tier 3 (20+ employees)
$385 per year		
	$450 per year	
2. Tier 2 (6 – 9 employees)	$500 per year	

Permit application fee (includes plan review) – all Fixed Retail Food Establishments

1. Tier 1 (1- 5 employees)	$100
2. Tier 2 (6-19 employees)	$200
3. Tier 3 (20+ employee)	$300
C. Mobile Food Establishments	$250 per year
D. Temporary Food Service Establishment	
1. Temporary Food Service Establishments (One-Time Event) Per booth, per event. Good for 14 days when application is made on or before the tenth (10th) day before the event	$50 per event
2. Temporary food service establishments, one-year permit running from January 1 to December 31, with no proration when application is made after the tenth (10th) day before the event per year	$200 per year
3. Farmer's Market	$100 per year
F. Expedited Fee	$50 per event
G. HAACP Plan Review fee - review of Hazard Analysis Critical Control Point ("HAACP") plan, when necessary for specialized processing methods - this fee is in addition to all other fees set forth in this Sec. 25.100."	$100

Section 3. Section 25.102, "Reinspections," of Article 25.000, "Health Department Fees," of Appendix A, "Fee Schedule," of the Code is hereby amended to read as follows:

"**Sec. 25.102. - [Reinspections.]**

The fee for all reinspections is $150.00, except the first reinspection by the health officer which is required as a follow-up due to failure of an inspection or which is otherwise required by state law which will be performed at no charge. All reinspections requested by Food Establishment shall be paid for in advance. All other reinspections shall be paid for within 30 days following the reinspection. If not paid timely, a late fee of $20.00 per calendar month, or portion thereof, shall be imposed and the Food Establishment shall have its permit revoked under the method provided in section 8-114 of this Code."

Section 4. Cumulative. This Ordinance shall be cumulative of all provisions of ordinances of the Code of Ordinances, City of Fredericksburg, Texas, as amended, except where the provisions of this Ordinance are in direct conflict with the provisions of such ordinances and such Code, in which event the conflicting provisions of such ordinances and such Code are hereby repealed.

Section 5. Severability. It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this Ordinance are severable, and if any phrase, clause, sentence, paragraph, or section of this Ordinance shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this Ordinance, since the same would have been enacted by the City Council without the incorporation in this Ordinance of any such unconstitutional phrase, clause, sentence, paragraph, or section.

Section 6. Effective Date. The fees adopted in this Ordinance shall be in full force and effect from and after October 1, 2024.

PASSED AND APPROVED on this the_______ day of August, 2024.

____
Jeryl Hoover, Mayor

ATTEST:

____
Leticia Vacek, TRMC/CMC/MMC, City Secretary

APPROVED AS TO FORM:

____
Mick McKamie, City Attorney

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Secretary
TO: Mayor & City Council Members
FROM: Garret Bonn, Assistant City Manager
MEETING DATE: August 20, 2024

CATEGORY: ORDINANCES, RESOLUTIONS AND PUBLIC HEARINGS

CAPTION: CONSIDERATION AND APPROVAL OF ORDINANCE 2024-26 BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS AUTHORIZING THE ISSUANCE OF “CITY OF FREDERICKSBURG, TEXAS, UTILITY SYSTEM REVENUE BONDS, SERIES 2024”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PRIOR LIEN OBLIGATIONS, BY A FIRST AND PRIOR LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE CITY'S COMBINED UTILITY SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SUCH BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND SALE DOCUMENTATION; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE. (Garret Bonn, Asst. City Manager)

i. Presentation by Dan Wegmiller, Specialized Public Finance, Inc. (Financial Advisor)
ii. Hold a Public Hearing (Mayor declares the Public Hearing open and calls upon individuals to speak. Mayor declares the Public Hearing closed)
iii. Take Action to Adopt Ordinance No. 2024-26

PRESENTATION:

SUMMARY:
As part of the process for the City's acquisition and renovation of the Hill Country University Center facility, which is located on City-owned property, the City intends to utilize a combination of funding sources.

BACKGROUND:
Dan Wegmiller with Specialized Public Finance, Inc. will present information relating to the issuance of Utility System Revenue Bonds for the acquisition and renovation of the Hill Country University Center facility.

FUNDING SOURCE: Enterprise Fund (Water)

FINANCIAL IMPACT:
$2M

STAFF RECOMMENDATION:
Staff recommends the City Council adopt an ordinance authorizing the City of Fredericksburg, Texas, Utility System Revenue Bonds, Series 2024.

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Governance

ATTACHMENTS:
1. Ordinance

APPROVAL/REVIEW:

______________________ Date: August 16, 2024
Leticia Vacek, City Secretary

______________________ Date: August 16, 2024
William McKamie, City Attorney

______________________ Date: August 16, 2024
Clinton Bailey, City Manager

DRAFT

ORDINANCE NO. ______

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF FREDERICKSBURG, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2024"; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PRIOR LIEN OBLIGATIONS, BY A FIRST AND PRIOR LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE CITY'S COMBINED UTILITY SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SUCH BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND SALE DOCUMENTATION; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE

TABLE OF CONTENTS

Page

ORDINANCE NO. ______

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF FREDERICKSBURG, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2024"; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PRIOR LIEN OBLIGATIONS, BY A FIRST AND PRIOR LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE CITY'S COMBINED UTILITY SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SUCH BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH BONDS, INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND SALE DOCUMENTATION; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of Fredericksburg, Texas (the *City*) has determined that revenue bonds (the *Bonds*) payable from and equally and ratably secured, together with the currently outstanding revenue bonds (hereinafter defined as the *Prior Lien Obligations*) solely by a first and prior lien on and pledge of the Pledged Revenues (hereinafter defined) of the City's combined water and wastewater system (as further defined and described herein, the *System*) should be issued for the purposes hereinafter described; and

WHEREAS, the City is empowered by the provisions of Chapter 1502, as amended, Texas Government Code and the City's Home Rule Charter to issue the Bonds; and

WHEREAS, the City intends to utilize the proceeds of the Bonds for the purpose of acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the System and to pay the costs of issuing the Bonds; and

WHEREAS, the City Council hereby finds and determines that the Bonds can and should be issued as Additional Prior Lien Obligations (hereinafter defined) on a parity with the Prior Lien Obligations in that (i) the City is not in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations and payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein, (ii) the laws of the State of Texas provide for the issuance of the Bonds, (iii) the City

Manager or Finance Director executes a certificate to the effect that, according to the books and records of the City, the Net Earnings of the System, for the Fiscal Year (hereinafter defined) next preceding the date that the Bonds are to be issued are equal to at least (i) 1.20 times the Average Annual Debt Service (hereinafter defined) after the issuance of the Bonds; (iv) the Bonds mature on February 15; and (v) this Ordinance provides that the amount to be accumulated and maintained in the Reserve Fund, if any, shall be in an amount equal to not less than the Required Reserve after giving effect to the issuance of the Bonds, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Bonds are delivered; and

WHEREAS, the City Council hereby finds and determines that this action and the adoption of this Ordinance is in the best interest of the residents of the City; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Revenue bonds of the City shall be and are hereby authorized to be issued in the aggregate principal amount of ___________ AND NO/100 DOLLARS ($__,___,___, to be designated and bear the title of "CITY OF FREDERICKSBURG, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2024" (the *Bonds*), pursuant to an ordinance adopted by the City Council (the *Ordinance*) for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the City's System and (ii) paying the costs of issuing the Bonds. The Bonds shall be payable from and equally and ratably secured, together with the currently outstanding Prior Lien Obligations, solely by a first and prior lien on and pledge of the Pledged Revenues (hereinafter defined) of the System. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the City's Home Rule Charter, and the Ordinance.

SECTION 2: Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates – Bond Date. The Bonds are issuable in fully registered form only; shall be dated August 29, 2024 (the *Bond Date*), and shall be in denominations of $5,000 or any integral multiple thereof and shall be lettered "R" and numbered consecutively from One (1) upward. The Bonds shall become due and payable on February 15 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts from the Closing Date (anticipated to occur on or about August 29, 2024), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

Year of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

Year of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

The Bonds shall bear interest on the unpaid principal amounts from the from the Closing Date (anticipated to occur on or about August 29, 2024), or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the rates per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Bonds shall be payable on February 15 and August 15 of each year (each, an *Interest Payment Date*), commencing February 15, 2025, while the Bonds are Outstanding.

SECTION 3: Payment of Bonds - Interest Payments - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable, without exchange or collection charges to the Holder (as hereinafter defined), appearing on the registration and transfer books maintained by the Paying Agent/Registrar (hereinafter defined), in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder (as hereinafter defined) of the Bonds.

The selection and appointment of BOKF, NA, Dallas, Texas (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Bonds by United States Mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the Bonds appearing on the Security Register (the *Holder* or *Holders*) maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof upon redemption of the Bonds or at the Bonds' Stated Maturity or upon redemption of the Bonds, and (iii) on any other date for any other purpose. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the last business day of the month next preceding an Interest Payment Date for the Bonds (the *Record Date*) and shall be paid (i) by check sent by United States Mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *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 Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4: Redemption.

(a) Mandatory Redemption of Bonds. The Bonds stated to mature on February 15, 20__ and February 15, 20__ are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Bonds Stated to Mature on February 15, 20__		Term Bonds Stated to Mature on February 15, 20__	
Year	Principal Amount ($)	Year	Principal Amount ($)

*Payable at Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

(b) Optional Redemption. The Bonds having Stated Maturities on and after February 15, 20__ shall be subject to redemption prior to Stated Maturity, at the option of the City, on February 15, 20__, or on any date thereafter, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

(c) Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the City.

(d) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by $5,000.

(e) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, the Paying Agent Registrar shall cause a notice of redemption to be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each Holder of a Bond to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder.

If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance.

(f) Transfer/Exchange. Neither the City nor the Paying Agent/Registrar shall be required to (i) transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (ii) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

SECTION 5: Execution - Registration. The Bonds shall be executed on behalf of the City by its Mayor or Mayor Pro Tem, its seal reproduced or impressed thereon, and attested by its City

Secretary. The signature of any of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers (hereinafter defined), all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the City shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Bonds surrendered upon such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any fee, tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 30 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 7: Initial Bond. The Bonds herein authorized shall be issued initially either as a single fully-registered Bond in the total principal amount of $__,___,___ with principal installments to become due and payable as provided in Section 2 and numbered T-1, or as one (1) fully-registered Bond for each year of Stated Maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the *Initial Bond*) and, in either case, the Initial Bond shall be registered in the name of the Purchasers or the designee thereof. The Initial Bond shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers. Any time after the delivery of the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, on the unpaid principal amounts from the Closing Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, to Stated Maturity, and shall be lettered "R" and numbered consecutively from one (1) upward for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8: Forms.

(a) Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Bonds shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Bonds, or any Stated Maturities thereof, are insured and identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of Bond Counsel (hereinafter referenced)) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

(b) Form of Definitive Bond.

REGISTERED
NO.

REGISTERED
PRINCIPAL AMOUNT
$_____________

United States of America
State of Texas
County of Gillespie
CITY OF FREDERICKSBURG, TEXAS
UTILITY SYSTEM REVENUE BONDS,
SERIES 2024

Bond Date:	Interest Rate:	Stated Maturity:	CUSIP No.
August 29, 2024			

REGISTERED OWNER: ____

PRINCIPAL AMOUNT: ____ DOLLARS

The City of Fredericksburg, Texas (the *City*), a body corporate and municipal corporation in the County of Gillespie, State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid Principal Amount hereof (computed on the basis of a 360-day year of twelve 30-day months) from the Closing Date (anticipated to occur on or about August 29, 2024), or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until such Principal Amount has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above; such interest being payable on February 15 and August 15 of each year (each, an *Interest Payment Date*) commencing February 15, 2025.

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the *Holder*) upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Ordinance hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States Mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Bond is one of the series specified in its title issued in the aggregate principal amount of $__,___,___ (the *Bonds*) pursuant to an ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the City's System (defined herein) and (ii) paying the costs of issuing the Bonds. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the City's Home Rule Charter, and the Ordinance.

The Bonds stated to mature on February 15, 20__ and February 15, 20__ are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

Term Bonds Stated to Mature on February 15, 20__		Term Bonds Stated to Mature on February 15, 20__	
Year	Principal Amount ($)	Year	Principal Amount ($)

*Payable at Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such Stated Maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The Bonds stated to mature on and after February 15, 20__ may be redeemed prior to their Stated Maturities, at the option of the City, on February 15, 20__, or on any date thereafter, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States Mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of $5,000, portions of the principal sum hereof in installments of $5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Ordinance for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within fifty (50) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Bonds of this series are special obligations of the City payable from and equally and ratably secured, together with the currently outstanding Prior Lien Obligations, solely by a first and prior lien on and pledge of the Pledged Revenues, comprised primarily of Net Revenues of the City derived from its ownership and operation of the City's combined water and wastewater system (as further described and defined in the Ordinance, the *System*). In the Ordinance, the City reserves and retains the right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Ordinance as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or System, except with respect to the Pledged Revenues.

The Holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Reference is hereby made to the Ordinance, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Pledged Revenues of the System pledged for the payment of the Bonds; the terms and conditions under which the City may issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. 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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *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 Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of and lien on the Pledged Revenues of the System. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be duly executed under the official seal of the City.

CITY OF FREDERICKSBURG, TEXAS

By ________________________________
Mayor

ATTESTED:

____
City Secretary

(CITY SEAL)

(c) *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly 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)

*NOTE TO PRINTER: Not to appear on printed Bond.

(d) Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued under the provisions of the within-mentioned Ordinance; the Bond or Bonds of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

Registered this date:	_____, _____, _____, as Paying Agent/Registrar
___________________________________	By: ______________________________
	Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee): ________________________________

____

(Social Security or other identifying number): ________________________________ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ____________________attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: ____________________________

____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

Signature guaranteed:

____

(f) The Initial Bond shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

(i) immediately under the name of the Bond the headings "Interest Rate" and "Stated Maturity" shall both be completed "as shown below";

(ii) the first two paragraphs shall read as follows:

The City of Fredericksburg, Texas (the *City*), a body corporate and municipal corporation in the County of Gillespie, State of Texas, for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above on the fifteenth day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

Years of Stated Maturity	Principal Amounts ($)	Interest Rates (%)

(Information to be inserted
from schedule in Section 2 hereof)

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Closing Date (anticipated to occur on or about August 29, 2024), or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year (each, an *Interest Payment Date*), commencing February 15, 2025.

Principal of this Bond shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, at the corporate trust office of BOKF, NA, Dallas, Texas (the *Paying Agent/Registrar*). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States Mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof.

[END OF FORMS]

(g) Insurance Legend. If bond insurance is obtained by the Purchasers or the City for the Bonds, the definitive Bonds and the Initial Bond(s) shall bear an appropriate legend as provided by the bond insurer to appear under the following header:

[BOND INSURANCE] or [STATEMENT OF INSURANCE]

SECTION 9: Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 32 and 47 of this Ordinance have the meanings assigned to them in Sections 32 and 47, and all such terms include the plural as well as the singular; all references in this Ordinance to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and the words "herein", "hereof", and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

(a) The term *Additional Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Ordinance and which are equally and ratably secured, together with the Bonds and currently outstanding Prior Lien Obligations, solely by a prior and first lien on and pledge of the Pledged Revenues of the System and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a prior and first lien on and pledge of the Pledged Revenues as determined by the City Council in accordance with applicable law.

(b) The term *Authorized Official* shall mean the Mayor, Mayor Pro Tem, City Manager, Finance Director, and/or City Secretary.

(c) The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on the Bonds when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from any bond proceeds shall be excluded in making the aforementioned computation.

(d) The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Ordinance.

(e) The term *Bonds* shall mean the "City of Fredericksburg, Texas Utility System Revenue Bonds, Series 2024", dated August 29, 2024, authorized by this Ordinance.

(f) The term *Bonds Similarly Secured* shall mean the Bonds, the Prior Lien Obligations, and any Additional Prior Lien Obligations hereafter issued by the City or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System.

(g) The term *City* shall mean the City of Fredericksburg located in the County of Gillespie, Texas and, where appropriate, the City Council of the City.

(h) The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchasers.

(i) The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

(j) The term *Depository* shall mean an official depository bank of the City.

(k) The term *Fiscal Year* shall mean the twelve month accounting period used by the City in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the City, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

(l) The term *Government Securities* shall mean (i) direct noncallable obligations of the United States, 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; (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; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

(m) The term *Gross Revenues* shall mean all income, receipts, and revenues of every nature derived or received from the operation and ownership of the System excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money (except the Construction Fund established pursuant to Section 31 hereof) in any special fund or account created, established, and maintained for the payment, security, or benefit of the Bonds Similarly Secured.

(n) The term *Holder* or *Holders* shall mean the registered owner, whose name appears in the Security

(o) The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 15 and August 15 of each year, commencing February 15, 2025, while any of the Bonds remain Outstanding.

(p) The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other obligations hereafter issued by the City payable wholly or in part from and equally and ratably secured by a junior and inferior lien and pledge of the Net Revenues of the System, that is junior and inferior to the first lien thereon and pledge thereof that is a part of the Pledged Revenues that secures the payment of the Bonds Similarly Secured, all as further provided in Section 19 of this Ordinance, and (ii) any obligations issued to refund the foregoing that are payable from and secured by such a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

(q) The term *Limited Pledge Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation, or other evidences of indebtedness hereafter issued by the City payable in part from a pledge of and lien on Net Revenues of the System which pledge of revenues is limited pursuant to Section 1502.052, as amended, Texas Government Code, all as further provided in Section 19 of this Ordinance and (ii) any obligations hereafter issued to refund any of the foregoing as determined by the City Council in accordance with any applicable law.

(r) The term *Maintenance and Operating Expenses* shall mean all current expenses of operating and maintaining the System as authorized by the provisions of Chapter 1502, as amended, Texas Government Code, including, but not limited to, all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining Net Revenues. Depreciation, amortization, or other expenditures which, under standard accounting practice, should be charged to capital non-cash expenditures shall not constitute or be regarded as Maintenance and Operating Expenses of the System. Payments required to be made by the City for water supply or water facilities, sewer services or sewer facilities, or fuel supply, or similar payments, which payments under law constitute operation and maintenance expenses of any part of the System, shall constitute and be regarded as Maintenance and Operating Expenses of the System under this Ordinance.

(s) The term *Net Earnings* shall be the meaning assigned to such term in Section 18 hereof.

(t) The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

(u) The term *Ordinance* shall mean this ordinance adopted by the City Council on August 13, 2024.

(v) The term *Outstanding* shall mean when used in this Ordinance with respect to Bonds means, as of the date of determination, all Bonds theretofore issued and delivered under this Ordinance, except:

(1) those Bonds cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the City in accordance with the provisions of Section 34 of this Ordinance by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 hereof.

(w) The term *Pledged Revenues* shall mean (1) a first lien on and pledge of the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, for the benefit of the System which hereafter are pledged by the City to the payment of the Bonds Similarly Secured or any Additional Prior Lien Obligations hereafter issued by the City, and excluding those revenues excluded from Gross Revenues.

(x) The term *Prior Lien Obligations* shall mean, as of the Closing Date, the Outstanding and unpaid obligations of the City that are payable solely from and equally and ratable secured by a lien on and pledge of the Pledged Revenues, which includes a first lien on and pledge of the Net Revenues of the System that is superior to the lien thereon and pledge thereof securing the Junior Lien Obligations, Subordinate Lien Obligations, and Limited Pledge Obligations, identified as follows:

(1) City of Fredericksburg, Texas Utility System Revenue Bonds, Series 2018, dated November 28, 2018, and originally issued in the principal amount of $17,305,000;

(2) City of Fredericksburg, Texas Utility System Revenue Refunding Bonds, Series 2020, dated January 1, 2020, and originally issued in the principal amount of $5,120,000; and

(3) Upon issuance, the Bonds.

(y) The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 31 of this Ordinance.

(z) The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Ordinance.

(aa) The term *Required Reserve Fund Deposits* shall mean the monthly deposit required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Ordinance.

(bb) The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 15 of each year, as set forth in Section 2 of this Ordinance.

(cc) The term *Subordinate Lien Obligation* shall mean (i) any bonds, notes, warrants, certificates of obligation or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System that is subordinate and inferior to the lien thereon and pledge thereof securing the payment of the Bonds Similarly Secured (as a result of such first and prior lien on and pledge of Net Revenues being made a part of the Pledged Revenues) and any Junior Lien Obligations hereafter issued by the City, all as further provided in Section 19 of this Ordinance and (ii) any obligations issued to refund the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the City Council in accordance with any applicable law.

(dd) The term *Surety Policy* shall mean a surety bond, insurance policy, letter of credit, or other agreement or instrument whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

(ee) The term *System* shall mean all properties, facilities and plants currently owned, operated, and maintained by the City for the supply, treatment, and transmission of treated potable water, for the collection and treatment of wastewater, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the City, and the City expressly reserves the right at its sole discretion to include additional utility (including electric and drainage/stormwater), telecommunications, technology, or similar enterprise services as components of the System (though such additional components are not at this time included); provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not payable from Net Revenues, but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10: Pledge of Pledged Revenues. (a) The City hereby covenants and agrees that the Pledged Revenues of the System are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first and prior lien on and pledge of the Pledged Revenues of the System and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Net Revenues of the System resulting from this lien on and pledge of the Pledged Revenues for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to the lien on and pledge of the Net Revenues securing payment of any Junior Lien Obligations, Subordinate Lien Obligations, or Limited Pledge Obligations hereafter issued by the City.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of Pledged Revenues granted by the City under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the City Council agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, together with any other lawfully available funds, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(a) To pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

(b) To produce Pledged Revenues, together with any other lawfully available funds, sufficient to pay (1) 1.20 times the Average Annual Debt Service Requirements on the Bonds Similarly Secured and (2) the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on an pledge of the Net Revenues of the System;

(c) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the City as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Junior Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior lien on and pledge of the Net Revenues of the System;

(d) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Subordinate Lien Obligations hereafter issued by the City as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Subordinate Lien Obligations hereafter issued by the City, and any other obligations or evidences of indebtedness issued or incurred that are payable from equally and ratably secured, in part, by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

(e) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Limited Pledge Obligations hereafter issued by the City as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Limited Pledge Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from equally and ratably secured, in part, by a lien on and pledge of a limited amount of the Net Revenues of the System; and

(f) To pay, together with any other lawfully available funds, any other legally incurred indebtedness payable from the Net Revenues of the System and/or secured by a lien on the System.

SECTION 12: System Fund. The City hereby reaffirms its covenant and agreement that the Gross Revenues of the System shall be deposited, as collected and received, into a separate

Fund or account to be created, established, and maintained with the Depository known as the "City of Fredericksburg, Texas Utility System Fund" (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the City. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

> FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502, as amended, Texas Government Code, to be a first charge on and claim against the Gross Revenues of the System.
>
> SECOND: to the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of any Bonds Similarly Secured.
>
> THIRD: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security and benefit of any Junior Lien Obligations hereafter issued by the City.
>
> FOURTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the City.
>
> FIFTH: to the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Limited Pledge Obligations hereafter issued by the City.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable, the City reaffirms the creation and agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the "City of Fredericksburg, Texas Utility System Revenue Bonds, Series 2024 Interest and Sinking Fund" (the *Bond Fund*). The City covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Pledged Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds Similarly Secured shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding.

Accrued interest and premium, if any, received from the Purchasers shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Pledged Revenues of the System. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Pledged Revenues of the System.

SECTION 14: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the "Required Reserve Amount") equal to the lesser of (i) the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Prior Lien Obligations then Outstanding) for the Bonds Similarly Secured or (ii) the maximum amount in a reasonably required reserve fund for the Bonds Similarly Secured from time to time that can be invested without restriction as to yield pursuant to section 148 of the Code (as defined in Section 32), the City agrees to create, establish, and maintain a separate and special fund or account known as the "City of Fredericksburg, Utility System Revenue Bond Reserve Fund" (the *Reserve Fund*), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the System Fund established in Section 12 of this Ordinance during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

In accordance with the provisions of the ordinance authorizing the issuance of the Prior Lien Obligations, the total amount currently required to be accumulated and maintained in the Reserve Fund is $______. By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be $______, which shall be accumulated, if necessary (and subject to the further conditions on funding such Reserve Fund as provided in this Section), in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the City covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, at the level of priority specified in Section 12, or any other lawfully available funds, an amount not less than $______, being the Required Reserve Fund Deposits (and equaling the minimum amount necessary to cause the accumulation of the Required Reserve Amount to occur over a period of 60 months).

As and when Additional Prior Lien Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Prior Lien Obligations, or, at the option of the City, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Prior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Prior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Prior Lien Obligations as provided in the preceding paragraph), the City covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said Fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the City to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The City further covenants and agrees that, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of any Additional Prior Lien Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the City may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the System Fund.

The City, at its option and consistent with the provisions of this Section may fund the Reserve Fund at the Required Reserve Amount by purchasing an insurance policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Bond Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All ordinances adopted after the date hereof authorizing the issuance of Additional Prior Lien Obligations shall contain a provision to this effect. The City reserves the right to use Gross Revenues of the System to fund the payment of (1) periodic premiums on the insurance policy or Surety Policy as a part of the payment of Maintenance and Operating Expenses and (2) any repayment obligation incurred by the City (including interest) to the issuer of the insurance policy or Surety Policy, the payment of which will result in the reinstatement of such insurance policy or Surety Policy, prior to making payments required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the Required Reserve Amount for the Bonds Similarly Secured.

In the event an insurance policy or other Surety Policy issued to satisfy all or part of the City's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the City may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund or as otherwise permitted in accordance with then applicable Texas law.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Pledged Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements. In the event that the Pledged Revenues for any Fiscal Year are less than 135% of the Average Annual Debt Service Requirements, the City will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve Amount or (ii) the Pledged Revenues in each of two consecutive Fiscal Years have been equal to not less than 135% of the Average Annual Debt Service Requirements.

SECTION 15: Deficiencies; Excess Net Revenues. (a) If on any occasion there shall not be sufficient Pledged Revenues of the System (after making all payments pertaining to the currently Outstanding Bonds Similarly Secured) to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the System, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months.

(b) Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Ordinance, or any ordinance authorizing the issuance of Bonds Similarly Secured (or any Junior Lien Obligations, Subordinate Lien Obligations, or Limited Pledge Obligations hereafter issued), the excess Net Revenues of the System may be used by the City for any lawful purpose, including but not limited to, the redemption of any Bonds Similarly Secured.

SECTION 16: Payment of Bonds. While any of the Bonds Similarly Secured are outstanding, an Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 17: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Ordinance, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law (collateralized pursuant to the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code), and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each ordinance authorizing the issuance of any Additional Prior Lien Obligations. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14, be credited to and deposited in the System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 18: Issuance of Additional Prior Lien Obligations. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City hereby expressly reserves the right to hereafter issue, from time to time as needed, Additional Prior Lien Obligations for any lawful purpose. Such Additional Prior Lien Obligations may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that each of the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(a) the Finance Director of the City (or other official of the City, including the City Manager, having primary responsibility for the fiscal affairs of the City) shall have executed a certificate stating that (i) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Prior Lien Obligations to satisfy the City's obligations under this Ordinance, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a first and prior lien on and pledge of the Pledged Revenues of the System and (ii) all payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a first and prior lien on and pledge of the Pledged Revenues of the System have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein;

(b) the City has secured a certificate from the Finance Director of the City (or other official of the City, including the City Manager, having primary responsibility for the fiscal affairs of the City) to the effect that, according to the books and records of the City, the Net Earnings of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 18 months immediately preceding the month the ordinance authorizing the Additional Prior Lien Obligations is adopted, are at least equal to one and one-fifth (1-1/5) (1.20) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the Additional Prior Lien Obligations then proposed. In making a determination of the Net Earnings, the Finance Director may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are to be determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings for the period of time covered by his certification based on such change in rates and charges being in effect for the entire period covered by the Finance Director's certificate;

(c) as used in this Section, the term "Net Earnings" shall mean the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System, but not depreciation charges or expenditures which, under generally accepted accounting principles, should be charged to capital expenditures;

(d) the Additional Prior Lien Obligations shall be scheduled to mature or be payable as to principal on February 15 or August 15 (or both) in each year the same are to be outstanding or during the term thereof;

(e) the ordinance authorizing the issuance of the Additional Prior Lien Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Prior Lien Obligations as same mature; and

(f) the ordinance authorizing the issuance of the Additional Prior lien Obligations provides that the amount to be accumulated and maintained in the Reserve Fund (subject, however, to any funding suspension mechanism that may at such time be in effect) shall be in an amount equal to not less than the Average Annual Debt Service Requirements for the payment of any Bonds Similarly Secured then Outstanding after giving effect to the issuance of the proposed Additional Prior Lien Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Prior Lien Obligations are delivered.

All calculations of principal and interest requirements made pursuant to this Section are made as of and from the date of the Additional Prior Lien Obligations then proposed to be issued.

SECTION 19: Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations, Subordinate Lien Obligations, and/or Limited Pledge Obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such first lien on and pledge of Net Revenues of the System included in the Pledged Revenues securing the payment of the Bond Similarly Secured, as may be authorized by the laws of the State of Texas upon satisfying any conditions precedent contained in the ordinances authorizing the issuance of any Bonds Similarly Secured.

SECTION 20: Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Outstanding Bonds Similarly Secured, pursuant to any law then available, upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Outstanding Bonds Similarly Secured are refunded, the conditions precedent prescribed, for the issuance of Additional Prior Lien Obligations, set forth in Section 18 of this Ordinance shall be satisfied and the certificate required in subparagraph (b) shall give effect to the Debt Service Requirements of the proposed refunding bonds (but shall not give effect to the Debt Service Requirements of the bonds being refunded following their cancellation or provision being made for their payment); provided, however, if the refunding of any then-Outstanding Bonds Similarly Secured (in whole or in part) produces an aggregate net present value debt service savings, then the certificate identified in Section 18(b) above shall not be required as a condition to the issuance of such refunding obligations (notwithstanding the fact that, upon issuance, such refunding obligations shall be Bonds Similarly Secured for all purposes) .

SECTION 21: Maintenance of System - Insurance. The City covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 22: Records and Accounts – Annual Audit. The City covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, as amended, Texas Government Code, or other applicable law. The Holder or Holders of any Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising the same. The City further agrees that following (and in no event later than 180 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 23: Special Covenants. The City further covenants and agrees by and through this Ordinance as follows:

(a) It has the lawful power to pledge the Pledged Revenues supporting the Bonds Similarly Secured and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapter 1502, as amended, Texas Government Code.

(b) The Bonds Similarly Secured shall be equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System in a manner that one bond shall have no preference over any other bond.

(c) Other than for the payment of the Bonds, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

(d) As long as any Bonds, or any interest thereon, remain Outstanding, the City will not sell, lease, or encumber the System or any substantial part thereof (except as provided in Sections 18, 19, or 20 of this Ordinance) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

(e) The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the City Council of the City, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

(f) No free service of the System (except water provided to the City for municipal fire-fighting purposes) shall be allowed, and, should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System; and

(g) To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds Similarly Secured, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems, other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited; provided, however, the City expressly reserves the right to eliminate or modify this covenant, at its sole discretion, for any purpose or in order to comply with then existing federal or Texas law.

SECTION 24: Limited Obligations of the City. The Bonds Similarly Secured are limited, special obligations of the City payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the City.

SECTION 25: Security of Funds. All money on deposit in the Funds or accounts for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Ordinance.

SECTION 26: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas and specifically to confirm that the Purchasers have all rights and remedies available under Texas law hereunder, the City also covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Bond Fund or Reserve Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

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

SECTION 27: Notices to Holders Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 28: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a "security" and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 29: Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all

Bonds so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the City.

SECTION 30: Mutilated, Destroyed, Lost, and Stolen Bonds. If any mutilated Bond is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding. In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond. Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith. Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 31: Sale of Bonds at a Competitive Sale – Authorization of Official Bid Form Approval – Bond Proceeds. The Bonds authorized by this Ordinance are hereby sold by the City to _____, _____, _____, as the purchaser at a competitive sale (the *Purchasers*, having all of the rights, duties, and obligations of a Holder), in accordance with the provisions of an Official Bid Form (the *Official Bid Form*), dated August 20, 2024, attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes, at the price of par, plus a [net] reoffering premium of $_____, and no accrued interest, and is hereby approved and confirmed. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Initial Bond shall be registered in the name of _____. It is hereby officially found, determined, and declared that the Purchasers are the highest bidder for the Bonds whose bid, received as a result of invitations for competitive bids in compliance with applicable law, produced the lowest true interest cost to the City. Any Authorized Official is hereby authorized and directed to execute the Official Bid Form for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of the Official Bid Form, the City Council hereby finds, determines and declares that the representations, warranties, and agreements of the City contained in the Official Bid Form are true and correct in all material respects and shall be honored and performed by the City. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Order, upon payment therefor in accordance with the terms of the Official Bid Form.

Proceeds from the sale of the Bonds shall be applied as follows:

(1) Accrued interest, if any, received from the Purchasers shall be deposited into the Bond Fund.

(2) The balance of the proceeds derived from the sale of the Bonds (after paying costs of issuance) shall be deposited into the construction fund (the *Construction Fund*), created for the projects to be constructed with the proceeds of the Bonds. This Construction Fund shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 17 of this Ordinance, but any money deposited into the Construction Fund shall not be commingled with any other funds of the City. Interest earned on the proceeds of the Bonds pending completion of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amount shall be expended in accordance with Section 13.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined) and (ii) the use and distribution of the Preliminary Official Statement by the Purchasers in connection with the public offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by any Authorized Official, any one or more of said officials), shall be and is hereby in all respects approved and the Purchasers are hereby authorized to use and distribute the final Official Statement, dated August 20, 2024, in the reoffering, sale and delivery of the Bonds to the public. The Mayor and City Secretary of the City Council are further authorized and directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchasers, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the City Council and constitute the Official Statement authorized for distribution and use by the Purchasers. The proper officials of the City are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Bonds.

SECTION 32: Covenants to Maintain Tax-Exempt Status.

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

"Closing Date" means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of

any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

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

(c) No Private Use or Private Payments. Except to the extent it will not cause the Bonds to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or

any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent it will not cause the Bonds to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if- (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent it will not cause the Bonds to become "arbitrage bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

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

(g) Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Bonds with other money of the City, provided that the City separately

accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Bond Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

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

(j) Bonds Not Hedge Bonds.

(1) The City reasonably expects to spend at least 85% of the spendable proceeds of the Bonds within three years after such Bonds are issued.

(2) Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(k) Elections. The City hereby directs and authorizes any Authorized Official, either individually or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document. Such elections shall be deemed to be made on the Closing Date.

SECTION 33: Control and Custody of Bonds. The Mayor shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Bonds pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers.

Furthermore, any Authorized Official, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the City's financial advisor, bond counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bonds to the Purchasers.

SECTION 34: Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance, then the pledge of the Pledged Revenues of the System under this Ordinance and all other obligations of the City to the Holders shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, and/or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations will mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. In the event of a defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, an independent accounting firm or another qualified third party concerning the deposit of cash and/or Government Obligations to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. As and to the extent applicable, if at all, the City covenants that no deposit of money or Government Obligations will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 32).

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the City, be remitted to the City against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in subsections (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

SECTION 35: Ordinance a Contract – Amendments – Outstanding Bonds. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Bonds. This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds Similarly Secured then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided; however, that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

SECTION 36: Printed Opinion. The Purchasers' obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Norton Rose Fulbright US LLP, as Bond Counsel, approving certain legal matters as to the Bonds, said opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Printing of a true and correct copy of said opinion on the reverse side of each of said Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City is hereby approved and authorized.

SECTION 37: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof, and neither the City nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 38: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 39: Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, the Paying Agent/Registrar, and the Holders.

SECTION 40: Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

SECTION 41: Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 42: Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 43: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council.

SECTION 44: Authorization of Paying Agent/Registrar Agreement. The City Council hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, and transferability of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 45: Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 46: No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bond.

SECTION 47: Continuing Disclosure of Information.

A. Definitions.

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

EMMA means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) http://www.emma.msrb.org.

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

MSRB means the Municipal Securities Rulemaking Board.

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

SEC means the United States Securities and Exchange Commission.

Undertaking means the City's continuing disclosure undertaking, described in Subsections B through F below, hereunder accepted and entered into by the City for the purpose of compliance with the Rule.

B. Annual Reports.

The City shall file annually with the MSRB within six months after the end of each fiscal year of the City ending in or after 2024, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 31 of this Ordinance, being the information described in Exhibit C hereto. All such information must be filed with MSRB pursuant to its Electronic Municipal Access (EMMA) System. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such financial statements becomes available. Under current Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the City Secretary within 180 days after the last day of the City's fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

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

C. Notice of Certain Events.

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

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of holders of the Bonds, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, 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;

(14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;

(15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

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

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

D. Limitations, Disclaimers, and Amendments.

The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

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

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITH 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 this Ordinance for purposes of any other provision of this Ordinance.

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

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any 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 either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, the City 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.

E. Information Format – Incorporation by Reference

The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

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 any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

F. General Policies and Procedures Concerning Compliance with the Rule.

Because the issuance of the Bonds is subject to the provisions of the Rule and because the potential "underwriters" in a negotiated sale of the Bonds or the initial purchasers in a competitive sale of the Bonds may be subject to MSRB rules and regulations with respect to such sale (including certain due diligence and suitability requirements, among others), the City hereby adopts the General Policies and Procedures Concerning Compliance with the Rule (the "Policies and Procedures"), attached hereto as Exhibit E, with which the City shall follow to assure compliance with the Undertaking. The City has developed these Policies and Procedures for the purpose of meeting its requirements of the Undertaking and, in connection therewith, has sought the guidance from its internal staff charged with administering the City's financial affairs, its municipal or financial advisors, its legal counsel (including its Bond Counsel), and its independent accountants (to the extent determined to be necessary or advisable). The Policies and Procedures can be amended at the sole discretion of the City and any such amendment will not be deemed to be an amendment to the Undertaking. Each Authorized Official is hereby authorized to amend the Policies and Procedures as a result of a change in law, a future issuance of indebtedness subject to the Rule, or another purpose determined by the Authorized Official to be necessary or desirable for or with respect to future compliance with the Undertaking.

SECTION 48: Book-Entry Only System.

It is intended that the Bonds will initially be registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bonds described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit D (the *Representation Letter*).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the City to make payments of principal, premium, if any, and interest on the Bonds pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 49: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 50: No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bond.

SECTION 51: Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Official Bid Form, and the Official Statement. In addition, prior to the initial delivery of the Bonds, any Authorized Official, and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 52: Contracts with Financial Advisor. The City Council authorizes the Mayor and/or the City Manager, or their designees, to take all actions necessary to execute any necessary financial advisory contracts with Specialized Public Finance Inc., as the financial advisor to the City (the *Financial Advisor*). The City understands that under applicable federal securities laws and regulations that the City must have a contractual arrangement with its Financial Advisor relating to the sale, issuance, and delivery of the Bonds. The prior engagement of Bond Counsel is hereby approved, ratified and confirmed. Any Authorized Official is hereby authorized to execute a letter or agreement with such firm confirming such prior engagement in connection with the issuance of the Bonds.

SECTION 53: City's Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the *Texas MAC*), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the City hereby consents to and authorizes any Authorized Official, Bond Counsel to the City, and/or Financial Advisor to the City to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Bonds; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Bonds.

SECTION 54: Effective Date. Pursuant to the provisions of Section 1201.028, as amended, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City's Home Rule Charter to the contrary concerning a multiple reading requirement for the adoption of ordinances.

[*The remainder of this page intentionally left blank.*]

PASSED AND ADOPTED on the 20th day of August, 2024.

CITY OF FREDERICKSBURG, TEXAS

____

Mayor

ATTEST:

____

City Secretary

(CITY SEAL)

I, the undersigned, City Attorney of the City of Fredericksburg, Texas, hereby certify that I read, passed upon, and approved as to form and legality the foregoing Ordinance prior to its adoption and passage as aforesaid.

____
City Attorney

INDEX TO EXHIBITS

EXHIBIT A - Paying Agent/Registrar Agreement
EXHIBIT B – Official Bid Form
EXHIBIT C – Description of Annual Financial Information
EXHIBIT D – DTC Letter of Representations
EXHIBIT E – General Policies and Procedures Concerning Compliance with the Rule

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. ___

EXHIBIT B

OFFICIAL BID FORM

SEE TAB NO. ___

EXHIBIT C

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 47 of this Ordinance.

Annual Financial Statements and Operating Data

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

1. Quantitative financial information and operating data of the general type included in Tables 1 through 9 of the Official Statement.

2. The City's audited financial statements for the most recently concluded fiscal year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the City referenced in Appendix B of the Official Statement, but for the most recently concluded fiscal year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.

EXHIBIT D

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. ___

EXHIBIT E

GENERAL POLICIES AND PROCEDURES
CONCERNING COMPLIANCE WITH THE RULE

I. Capitalized terms used in this Exhibit have the meanings ascribed thereto in Section 47 of the Ordinance. "Bonds" refer to the Bonds that are the subject of the Ordinance to which this Exhibit is attached.

II. As a capital markets participant, the City is aware of its continuing disclosure requirements and obligations existing under the Rule prior to February 27, 2019, the effective date of the most recent amendment to the Rule (the "Effective Date"), and has implemented and maintained internal policies, processes, and procedures to ensure compliance therewith. Adherence to these internal policies, processes, and procedures has enabled underwriters in non-exempt negotiated sales and initial purchasers in non-exempt competitive sales to comply with their obligations arising under various MSRB rules and regulations concerning due diligence and findings of suitability, among other matters, regarding the City's compliance with the Rule.

III. The City is aware that the Rule was amended as of the Effective Date (the *Rule Amendment*) and has accommodated this amendment by adding subparagraphs (15) and (16) to Section 47C of the Ordinance, which provisions are a part of the Undertaking.

IV. The City is aware that "participating underwriters" (as such term is defined in the Rule) of the Bonds must make inquiry and reasonably believe that the City is likely to comply with the Undertaking and that the standards for determining compliance have increased over time as a result of, among others, the United States Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation Initiative and regulatory commentary relating to the effectiveness of the Rule Amendment.

V. The City now establishes the following general policies and procedures (the "Policies and Procedures") for satisfying its obligations pursuant to the Undertaking, which policies and procedures have been developed based on the City's informal policies, procedures, and processes utilized prior to the Effective Date for compliance with the City's obligations under the Rule, the advice from and discussions with the City's internal senior staff (including staff charged with administering the City's financial affairs), its municipal or financial advisors, its legal counsel (including Bond Counsel), and its independent accountants, to the extent determined to be necessary or advisable (collectively, the "Compliance Team"):

1. the City Manager of the City (the "Compliance Officer") shall be responsible for satisfying the City's obligations pursuant to the Undertaking through adherence to these Policies and Procedures;

2. the Compliance Officer shall establish reminder or "tickler" systems to identify and timely report to the MSRB, in the format thereby prescribed from time to time, the City's information of the type described in Section 47B of the Ordinance;

3. the Compliance Officer shall promptly determine the occurrence of any of the events described in Section 47C of the Ordinance;

4. the Compliance Officer shall work with external consultants of the City, as and to the extent necessary, to timely prepare and file with the MSRB the annual information of the City and notice of the occurrence of any of the events referenced in Clauses 2 and 3 above, respectively, the foregoing being required to satisfy the terms of the Undertaking;

5. the Compliance Officer shall establish a system for identifying and monitoring any Financial Obligations, whether now existing or hereafter entered into by the City, and (upon identification) determining if such Financial Obligation has the potential to materially impact the security or source of repayment of the Bonds;

6. upon identification of any Financial Obligation meeting the materiality standard identified in Clause 5 above, the Compliance Officer shall establish a process for identifying and monitoring any City agreement to covenants, events of default, remedies, priority rights, or other similar terms under such Financial Obligation;

7. the Compliance Officer shall establish a process for identifying the occurrence of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial Obligation, the occurrence of any of which reflect financial difficulties of the City; and

8. the Compliance Officer shall annually review these Policies and Procedures with the remainder of the Compliance Team, make any modifications on an internal document retained by the Compliance Officer and available to any "participating underwriter" (as defined in the Rule), if requested, and on the basis of this annual review (to the extent determined to be necessary or desirable), seek additional training for herself or himself, as well as other members of the City's internal staff identified by the Compliance Officer to assist with the City's satisfaction of the terms and provisions of the Undertaking.

CITY COUNCIL AGENDA MEMO

DEPARTMENT: Finance Department
TO: Mayor & City Council Members
FROM:
MEETING DATE: August 20, 2024

CATEGORY: OTHER ACTION ITEMS AND UPDATES

CAPTION: Consideration and Approval of the City's Bank Depository Contract for Financial Services. (Krista Wareham, Director of Finance)

PRESENTATION:

SUMMARY:
In May 2024, we issued a Request for Proposal (RFP) for our banking services. Bid proposals were received from Security State Bank & Trust and Texas Regional Bank. Proposals were reviewed based on professional qualifications, experience, background, references, contents of the proposal, and the best value to the City.

BACKGROUND:
Under State law, the City may approve a depository contract whose term does not exceed five years. There is no requirement for rotation. The City will select its official banking institution through a formal process based on best value to provide the City with the most comprehensive, flexible, and cost-effective banking services available.

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:
Both bid proposals were reviewed, scored, and evaluated based on determining the best value to the City. It is staff's professional recommendation to continue our banking relationship with Security State Bank & Trust with a new contract term of October 1, 2024, and extend through September 30, 2027, with the option of two (2) one-year extensions, upon mutual agreement by the Parties.

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Neighborhood Quality
Workforce
Tourism
City Center
Mobility

ATTACHMENTS:
None

APPROVAL/REVIEW:

Date: August 16, 2024
Leticia Vacek, City Secretary

Date: August 16, 2024
William McKamie, City Attorney

Date: August 16, 2024
Leticia Vacek, City Secretary

Date: August 16, 2024
Clinton Bailey, City Manager

CITY COUNCIL AGENDA MEMO

DEPARTMENT: Finance Department
TO: Mayor & City Council Members
FROM:
MEETING DATE: August 20, 2024

CATEGORY: OTHER ACTION ITEMS AND UPDATES

CAPTION: Consideration of the Proposed Tax Rate Approval. (Krista Wareham, Director of Finance)

PRESENTATION:

SUMMARY:
The City Council will consider a resolution to set a public hearing for the proposed tax rate. If the City Council votes to increase the rate over the no-new-revenue tax rate, an additional public hearing will be required.

BACKGROUND:
Truth in Taxation calculated property tax rates were presented during the Regular City Council meeting on August 6, 2024.

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Neighborhood Quality
Workforce
Tourism
City Center
Mobility
Small Town Sensitive Growth
Governance

ATTACHMENTS:
1. PowerPoint-Prop Tax Aug 20 Agenda

APPROVAL/REVIEW:

______________________________ Date: August 16, 2024
Leticia Vacek, City Secretary

______________________________ Date: August 16, 2024
William McKamie, City Attorney

______________________________ Date: August 16, 2024
Leticia Vacek, City Secretary

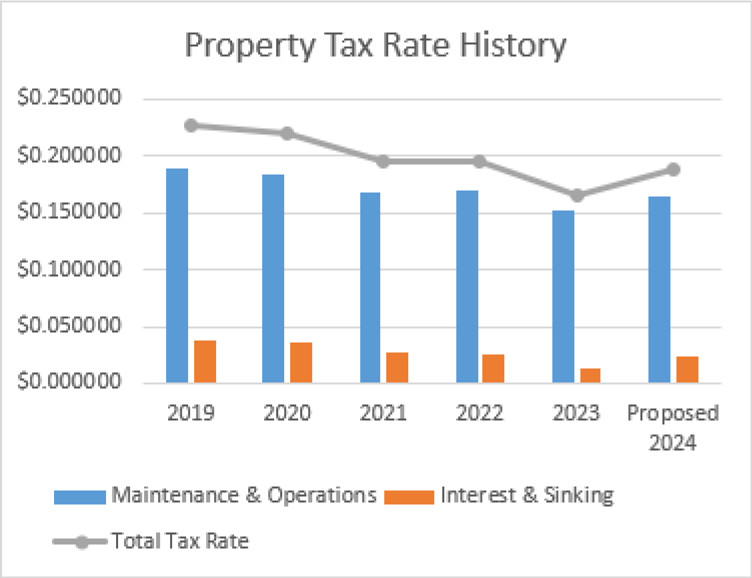
______________________________ Date: August 16, 2024
Clinton Bailey, City Manager

2024 Calculated Property Tax Rates

- No-new revenue tax rate $0.160769
- Voter approval tax rate $0.188764
- De minimis rate
  $0.192171
- Unused increment tax rate
  $0.205326

Property Tax History

CITY OF FREDERICKSBURG TAX RATE	2019	2020	2021	2022	2023	Proposed 2024
Maintenance & Operations	$0.189749	$0.184625	$0.168029	$0.169967	$0.152612	$0.164980
Interest & Sinking	$0.037535	$0.036150	$0.027794	$0.025856	$0.012568	$0.023784
Total Tax Rate	**$0.227284**	**$0.220775**	**$0.195823**	**$0.195823**	**$0.165180**	**$0.188764**



CITY COUNCIL AGENDA MEMO

DEPARTMENT: Development Services
TO: Mayor & City Council Members
FROM: Anna Hudson, Director of Development Services
MEETING DATE: August 20, 2024
CATEGORY: OTHER ACTION ITEMS AND UPDATES

CAPTION: Consider the appeal of the denial of a Short-Term Rental-Unoccupied Permit Application requested by Joel Ratliff for the property located at 105 E Burbank. (Anna Hudson, Director of Development Services)

PRESENTATION:

SUMMARY:
Address: 105 E Burbank
Owner: Joel Ratliff
Management Company: Fredericksburg Escapes
Zoning: R1
H.O.T.: current
Permit Issued: June 8, 2023
Permit Expiration: April 5, 2024
90 non-conforming status lost: July 5, 2024

BACKGROUND:
105 E Burbank had a nonconforming STR unoccupied permit for a 2-bedroom house with an occupancy of 4. This property has had an STR permit since 2022. The permit expired on **April 5, 2024**. There are no violations on record. HOT is up-to-date on the property.

The owner and the management company were notified in March 2024 that the permit was about to expire and again in June 2024 that the permit had indeed expired and that a renewal was needed. A renewal application was not filed within the required 90-day grace period and therefore, the nonconforming status (grandfathered) was lost. As the property is located in **R1 zone**, an STR unoccupied permit is no longer available by right due to the 2023 STR Ordinance which went into effect on January 1, 2024.

City staff informed the owner, Mr. Ratliff, and the property management company, Fredericksburg Escapes, that the permit lost its non-conforming status and that all STR operations must cease immediately as the property was operating without a valid STR permit.

The property does not qualify for the Special exception process and the only option afforded the property owner is to come before City council to appeal the loss of the nonconforming status.

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Neighborhood Quality

ATTACHMENTS:
1. 105 E Burbank Appeal Request
2. STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON
3. STR PERMIT EXPIRED
4. STR PERMIT EXPIRED 105 E Burbank

APPROVAL/REVIEW:

Anna Hudson, Director of Development Services — Date: August 16, 2024

Garret Bonn, Assistant City Manager — Date: August 16, 2024

William McKamie, City Attorney — Date: August 16, 2024

Leticia Vacek, City Secretary — Date: August 16, 2024

Clinton Bailey, City Manager — Date: August 16, 2024

STR Permit Appeal Application Form

Sec. 20-225 (b)

An appeal filed under this section must be filed with the director no later than the 20th day following the date on which the permit was denied. The appeal must be sworn and must identify each alleged point of error, facts and evidence supporting the appeal, and reason why the action of the director should be modified or reversed.

Owner Information:

Full Name: Joel Scot Ratliff & Frank Allen Ratliff

Address: 26815 Stockdick School Road

City: Katy State: TX Zip: 77493

Phone Number: 832-366-7242

Email Address: joel_ratliff@hotmail.com

STR Property Information:

Address of the STR Property: 105 E. Burbank Street Zoning: R-1

STR Permit Number (if previously permitted): 805002097

Reason for Appeal: Failure to timely Renew Permit

If the property has been rented, has H.O.T. been remitted to the City of Fredericksburg? YES

Date of Denial: 8/8/2024 Filing Date (within 20 days of denial): 8/12/2024

Details of Appeal:

Please provide a detailed explanation of why you are appealing the decision to deny, revoke, or modify your short-term rental (STR) permit:

Owners are not Fredericksburg Residents, and are contracted with Fredericksburg Escapes Management to handle Rental Bookings, collection & payment of HOT taxes, as well as maintenance and Renewal of STR permit.

Fredericksburg Escapes failed to file the renewal application, either out of oversight or negligence, despite written assurance this would be done. See attached.

Supporting Documentation:

Please attach any relevant documentation that supports your appeal (e.g., property records, HOT (Hotel Occupancy Tax) remittances, previous STR permits, correspondence with city officials, etc.):

Declaration:

I hereby declare that the information provided in this appeal application is true and accurate to the best of my knowledge. I understand that providing false information may result in the rejection of my appeal.

Signature: [signature] Joel Scot Ratliff Date: 8/12/2024

ACKNOWLEDGMENTS

State of Texas

County of Fort Bend

Before me, (Zohra R. Maknojia), on this day personally appeared Joel Scot Ratliff, known to me (or proved to me on the oath of or through (description of identity card or other document) to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 12th day of Aug, 2024.

(Personalized Seal) ZOHRA R. MAKNOJIA NOTARY PUBLIC STATE OF TEXAS ID 126603022 EXP. 07-25-2028

Notary Public's Signature

[signature]

Staff Review

Date accepted as complete: ____________________ **City Council Date:** ______________

Result: ____

Submission:

Please submit this completed application form **along with any supporting documentation** within the required 20 days (after the permit was denied) to Anna Hudson, Director of Development Services, ahudson@fbgtx.org

The Director of Development Services has 14 days to review the appeal application, City council will hear the appeal at the next regularly scheduled city Council meeting, and may affirm, modify, or reverse an application denial. The City Council shall give written notice of a decision on an appeal to the appellant.

Note: The submission of an appeal does not guarantee a reversal of the decision regarding the short-term rental permit. Appeals will be reviewed in accordance with the relevant regulations and policies governing short term rental permits in Fredericksburg, Texas.

HOT TAX

RE: Please Call

Darren Eckhardt <deckhardt@fbgtx.org>
Mon 8/12/2024 7:33 AM
To:Joel Ratliff <joel_ratliff@hotmail.com>
Cc:Jan Musgrove <jmusgrove@fbgtx.org>;Tyler Baethge <tbaethge@fbgtx.org>;Shelby Collier <scollier@fbgtx.org>

Good morning Joel,

City of Fredericksburg Hotel Occupancy Taxes for 105 E Burbank St is current and there are no delinquent quarters.

If you have any questions, feel free to ask.

Thanks,

Darren Eckhardt
Hotel Occupancy Tax Collections Specialist
City of Fredericksburg
126 W. Main Street
Fredericksburg, TX 78624
Direct: (830) 990-2069 | deckhardt@fbgtx.org

From: Shelby Collier <scollier@fbgtx.org>
Sent: Friday, August 9, 2024 4:44 PM
To: Darren Eckhardt <deckhardt@fbgtx.org>
Cc: Jan Musgrove <jmusgrove@fbgtx.org>; Tyler Baethge <tbaethge@fbgtx.org>; Joel Ratliff <joel_ratliff@hotmail.com>
Subject: FW: Please Call

Good afternoon Darren,

Mr. Ratliff would like to research his property at 105 E Burbank. He would like to ensure that the property is compliant with HOT.

Is this something you can help with?

Thank you in advance!

Shelby Collier
Senior Planner

126 W. Main Street
Fredericksburg, TX 78624
Office: (830) 997-7521 | Direct: (830) 990-2013 | scollier@fbgtx.org
City Mission: We're leading with integrity while providing the best customer services to our community.

From: Joel Ratliff <joel_ratliff@hotmail.com>
Sent: Friday, August 9, 2024 3:57 PM
To: Shelby Collier <scollier@fbgtx.org>
Subject: Fw: Please Call

Shelby,
I am sorry to be a pest. Is there a possibility you could call me before you leave today?
Thans,
Joel

From: Joel Ratliff <joel_ratliff@hotmail.com>
Sent: Friday, August 9, 2024 2:25 PM
To: Shelby Collier <scollier@fbgtx.org>
Subject: Please Call

Shelby,
I am so sorry about the earlier call. Can you please call me back? 832-366-7242
Joel Ratliff

The City of Fredericksburg

Short-Term Rental Permit

Date Issued:	June 8, 2023	**Permit Expiration Date:**	**April 5, 2024**
Permit Issued To:	JOEL RATLIFF 105 E BURBANK ST	Permit No.: Permit Type:	**8056002097** STR - Nonconforming
Unit Location:	MEME'S PURPLE BARN 105 E BURBANK ST FREDERICKSBURG, TX 78624	Zoning District: **Occupancy Limit:**	R1 **4**
24/7 Phone No.: Local Contact:	830-997-0443 FREDERICSKBURG ESCAPES	Management Company:	FBGESC

This certificate has been issued according to the requirements of the City of Fredericksburg Code of Ordinances relating to Short-Term Rental use.

NOTICE: Guests are responsible for compliance with all applicable laws, rules, and regulations pertaining to the use of the Short-Term Rental Unit. Guests may be fined by the City for violations of this article (see House Rules).

Hotel Occupancy Taxes must be filed quarterly in order to maintain a valid permit.

THIS PERMIT MUST BE POSTED.

Certificate emailed 6/8/2023. Questions regarding this permit should be addressed to the Development Services Department of the City of Fredericksburg (830) 997-7521
City Hall - 126 W. Main St., Fredericksburg, TX 78624

RE: STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON

Marnie Pate <porta@cbporta.com>
Mon 3/25/2024 3:38 PM
To:Joel Ratliff <joel_ratliff@hotmail.com>;Fredericksburg Escapes <fredericksburgescapes@gmail.com>
Cc:Kal Ratliff <kalrat@sbcglobal.net>

Yes, I will apply for your renewal.

Sincerely,

Marnie Pate
Owner/Broker

COLDWELL BANKER
ISLAND ESCAPES

1900 St Hwy 361
Port Aransas, TX 78373

www.cbporta.com
www.portaescapes.com
www.fredericksburgescapes.com

361-749-6000 (office)
361-460-0250 (cell)
866-397-9864 (fax)

From: Joel Ratliff <joel_ratliff@hotmail.com>
Sent: Monday, March 25, 2024 2:58 PM
To: Fredericksburg Escapes <fredericksburgescapes@gmail.com>; Marnie Pate <porta@cbporta.com>
Cc: Kal Ratliff <kalrat@sbcglobal.net>
Subject: Fwd: STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON

Amy/Marnie,
Do you guys handle the renewal?
Thanks
Joel Ratliff

Begin forwarded message:

From: Jan Musgrove <jmusgrove@fbgtx.org>
Date: March 25, 2024 at 2:39:00 PM CDT
To: joel_ratliff@hotmail.com
Cc: Fredericksburg Escapes <fredericksburgescapes@gmail.com>
Subject: STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON

Good afternoon,

City staff have identified that 105 E Burbank – will expire on 4/5/24.

To remain in compliance with the Ordinance Sec. 5.401, please renew using the instructions attached at your earliest convenience.

Sincerely,

"We're leading with integrity while providing the best customer services to our community."

Jan Musgrove / STR Specialist / City of Fredericksburg
SHORT TERM RENTAL WEBSITE
jmusgrove@fbgtx.org
O. 830-997-7521 ext: 2028

Re: STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON

Fredericksburg Escapes <fredericksburgescapes@gmail.com>
Mon 3/25/2024 2:58 PM
To:Joel Ratliff <joel_ratliff@hotmail.com>

Yes Sir we can handle it for you.

FREDERICKSBURG
& HILL COUNTRY
ESCAPES

Fredericksburg & Hill Country Escapes
830-307-3109 Office
909 E. Main St.
Fredericksburg, TX 78624

Book direct & save!
www.fredericksburgescapes.com

On Mon, Mar 25, 2024 at 2:57 PM Joel Ratliff <joel_ratliff@hotmail.com> wrote:

> Amy/Marnie,
> Do you guys handle the renewal?
> Thanks
> Joel Ratliff
>
> Begin forwarded message:
>
> **From:** Jan Musgrove <jmusgrove@fbgtx.org>
> **Date:** March 25, 2024 at 2:39:00 PM CDT
> **To:** joel_ratliff@hotmail.com
> **Cc:** Fredericksburg Escapes <fredericksburgescapes@gmail.com>
> **Subject: STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON**

Good afternoon,

City staff have identified that 105 E Burbank – will expire on 4/5/24.

To remain in compliance with the Ordinance Sec. 5.401, please renew using the instructions attached at your earliest convenience.

Sincerely,

"We're leading with integrity while providing the best customer services to our community."

Jan Musgrove / STR Specialist / City of Fredericksburg

SHORT TERM RENTAL WEBSITE

jmusgrove@fbgtx.org

O. 830-997-7521 ext: 2028

From:	Jan Musgrove
To:	joel_ratliff@hotmail.com
Cc:	Fredericksburg Escapes
Subject:	STR PERMIT FOR 105 E BURBANK - 8056002097 - EXPIRING SOON
Date:	Monday, March 25, 2024 2:38:00 PM
Attachments:	Renew thru MGO 3.0.pdf image001.jpg

Good afternoon,

City staff have identified that 105 E Burbank – will expire on 4/5/24.

To remain in compliance with the Ordinance Sec. 5.401, please renew using the instructions attached at your earliest convenience.

Sincerely,

City Logo

"We're leading with integrity while providing the best customer services to our community."

Jan Musgrove / STR Specialist / City of Fredericksburg
SHORT TERM RENTAL WEBSITE
jmusgrove@fbgtx.org
O. 830-997-7521 ext: 2028

From:	Jan Musgrove
To:	joel_ratliff@hotmail.com
Cc:	Marnie Pate; Fredericksburg Escapes
Bcc:	Tyler Baethge
Subject:	STR PERMIT EXPIRED ON 4/5/24
Date:	Monday, June 3, 2024 8:55:00 AM

Good Morning,

The permit on 105 E BURBANK, expired on 4/5/24. Please renew as soon as possible to remain in compliance and avoid a notice of Violation.

TO RENEW AN EXSITING PERMIT

Please use these instructions to help you through this new process.

You will need to create an MGO account

Please note: **You will need a photo of the front of the STR (hopefully showing the address numbers, if possible)
AND
A photo of the front of the owner on records Driver's License

Once you have established your account, please link your property to your account:

> Go to the home page – select Search Permits – 4th button on the left side of the computer screen.
> Enter either your permit # or the address to pull up your property.
> Click on the "3 eyes"(…) it's a drop down menu – click on add to my account
>
> If your phone number on record is your verified phone number, it should allow you to add this to your account and you should be able to view details. If it does not match – please contact Customer support and they will be able to assist you.

Click on apply online for a short-term rental renewal/transfer – left hand side of the screen on the homepage, 3rd button down
Put in your permit number (project number) or your STR property's address – one or the other to locate your STR

City Staff will review the application and issue an invoice (2024 fees) – once paid, this will initiate the STR inspection – per the new 2024 Ordinance, STR inspections are required each time a renewal is submitted. Once the inspection has passed and completed, the permit will be issued.

Please contact email MGO Customer support or call (866-957-3764) and they will be able to assist you with any account issues.

If you have any questions, please contact me.

Regards,

Jan Musgrove

"We're leading with integrity while providing the best customer services to our community."

Jan Musgrove / STR Specialist in transition to Planner 1 City of Fredericksburg
SHORT TERM RENTAL WEBSITE
jmusgrove@fbgtx.org
O. 830-997-7521 ext: 2079

For the best experience, open this PDF portfolio in Acrobat X or Adobe Reader X, or later.

CITY COUNCIL AGENDA MEMO

DEPARTMENT: Development Services
TO: Mayor & City Council Members
FROM: Anna Hudson, Director of Development Services
MEETING DATE: August 20, 2024

CATEGORY: OTHER ACTION ITEMS AND UPDATES

CAPTION: Consideration and Possible Action for a contract with TXP to conduct a Feasibility Analysis of a Tax Increment Reinvestment Zone (TIRZ). (Anna Hudson, Director of Development Services)

PRESENTATION:

SUMMARY:
A Tax Increment Reinvestment Zone is an economic (re)development tool authorized by Chapter 311 of the Texas Tax Code and administered by the Texas Comptroller's office. On August 6, 2024, staff provided a TIRZ overview and answered questions and was directed to move forward with the next step, creation of feasibility study.
Staff will engage with an economic development consultant group that is familiar with Fredericksburg to provide a written feasibility report and Preliminary Finance Plan. This will include public outreach and presentations to City Council.

BACKGROUND:
The creation of a TIRZ is a recommendation of the 2024 Comprehensive Plan for the City Center. The Comprehensive Plan was adopted in 2024. TXP, Economic Analysis & Public Policy Strategy, was part of the consultant team along with Halff. TXP has visited Fredericksburg several times and is familiar with the downtown area and has completed a significant level of research on the local Fredericksburg economy. The attached contract defines the scope of work that will allow staff to work with TXP on the next steps of conducting a feasibility study on a TIRZ, and if City Council wants to pursue a TIRZ after reviewing the feasibility study, the next steps of creating a Financial Plan and Project Plan that will also be assisted by TXP.

FUNDING SOURCE: General Fund - Development Services's Professional Services line item has sufficient funding as implementation of the Comprehensive Plan was included in the FY24 budget.

FINANCIAL IMPACT:
$29,500

STAFF RECOMMENDATION:
Enter into contract with TXP for TIRZ Feasibility Analysis and subsequently TIRZ Implementation if recommended by TIRZ Feasiblity Analysis.

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Tourism
City Center
Mobility
Small Town Sensitive Growth
Governance

ATTACHMENTS:
1. TIRZ Creation
2. Exhibit A. TXP Fredericksburg Scope of Work TXP 081524

APPROVAL/REVIEW:

Krista Wareham
Krista Wareham, Director of Finance
Date: August 15, 2024

William McKamie
William McKamie, City Attorney
Date: August 16, 2024

Leticia Vacek
Leticia Vacek, City Secretary
Date: August 16, 2024

Clinton Bailey
Clinton Bailey, City Manager
Date: August 16, 2024

AGREEMENT FOR PUBLIC IMPROVEMENT AND TAX INCREMENT REINVESTMENT ZONE (TIRZ) CREATION

This Agreement and Tax Increment Reinvestment Zone ("TIRZ") Creation ("Agreement") is entered into this ________ day of ____, 2024, by and between TXP, Inc., a Texas Corporation ("TXP"), and the City of Fredericksburg, Texas, (the "City"), who may be referred to individually herein as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, the City is contemplating creating a Downtown Tax Increment Reinvestment Zone ("TIRZ") to fund certain improvements as authorized by the Tax Increment Financing Act, of the Texas Tax Code, Chapter 311 (the "Act"), as amended; and

WHEREAS, the City requires specialized services related to feasibility and creation of the preliminary Final Project and Finance Plan ("FPFP"); and

WHEREAS, TXP has the expertise to properly assess feasibility of and establish the TIRZ in accordance with the Act; and

WHEREAS, the City desires to retain TXP to provide TIRZ creation and feasibility services.

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, and for good and valuable consideration, TXP and the City agree as follows:

ARTICLE I
<u>TERM OF AGREEMENT</u>

1.0 This Agreement shall be effective as of its approval by all Parties, and continue until the creation of the TIRZ, or until all obligations contained herein are completed, whichever occurs last.

ARTICLE II
<u>SERVICES TO BE PROVIDED BY TXP</u>

2.0 The scope and timing of services to be performed by TXP are set forth in Exhibit "A," which is attached hereto and incorporated into this Agreement by this reference.

2.1 TXP agrees that its services pursuant to this Agreement shall at all times be subject to the control and supervision of the City and that nothing in this Agreement shall constitute an assignment of any right or obligation of the City under any applicable contract, agreement, or law. TXP shall not represent to any property owner or any other person that it or any of its employees are acting as the City or employees of the City.

2.2 No substantial changes in the scope of services shall be made without the prior written approval of TXP and the City.

2.3 TXP shall supply all tools and means necessary to perform the services and production of the work product described in Exhibit “A.”

ARTICLE III
PAYMENT TERMS AND CONDITIONS

3.0 In consideration for the services to be performed by TXP, the City agrees to pay TXP the fees for all services and related costs and expenses set forth in Exhibit “A.”

3.1 Monthly invoices shall be submitted to the City for work completed. The City agrees to pay the amount due to TXP within thirty (30) days of receipt of each invoice.

3.2 Copies of all invoices to TXP for expenses, materials, or services provided to TXP for performance of the services will accompany the invoice to the City. TXP will pass any third-party cost through to the City without markup and will not incur any expense in excess of $200 without written consent of the City.

ARTICLE IV
TERMINATION OF THIS AGREEMENT

4.0 Notwithstanding any other provisions of this Agreement, either Party may terminate this Agreement at any time by giving sixty (60) days written notice to the other Party without penalty and without limitation of its right to seek damages. The City shall pay TXP, within thirty (30) days of such termination, all of TXP’ fees and expenses actually accrued or incurred to and including the date of termination, including any amount incurred or accrued in connection with work in progress.

ARTICLE V
GENERAL PROVISIONS

5.0 TXP agrees to and shall indemnify, hold harmless, and defend the City, its officers, agents, and employees, from and against any and all claims, losses, damages, causes of action, suits, fines, penalties, and liability of every kind, including all expenses of litigation, court costs, and attorneys’ fees, arising out of, in connection with, or resulting from TXP’ performance of this Agreement. This provision of the Agreement shall survive the termination of this Agreement.

5.1 This Agreement supersedes any and all agreements, either oral or written, between the Parties hereto with respect to rendering of services by TXP for the City and contains all of the covenants and agreements between the Parties with respect to the rendering of such services in any manner whatsoever. Each Party of this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any Party that are not embodied herein and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding.

5.2 This Agreement shall be administered and interpreted under the laws of the State of Texas. Each Party agrees to submit to the exclusive jurisdiction of any state or federal court in Gillespie County, Texas, in respect to any action relating to this Agreement. This Agreement shall not be construed for or against any Party by reason of who drafted the provisions set forth herein. If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it is in conflict with said laws, but the remainder of this Agreement shall remain in full force and effect.

5.3 Neither this Agreement nor any duties or obligations under this Agreement may be assigned by TXP without the prior written consent of the City.

5.4 The waiver by either Party of a breach or violation of any provision of this Agreement will not operate as or be construed to be a waiver of any subsequent breach thereof.

5.5 All records, reports, and other documents prepared by TXP for the purposes of providing the services described in this Agreement shall be property of the City. All such documents shall be made available to the City during the course of performance of this Agreement. Any reports, studies, photographs, negatives, or other documents or drawings prepared by TXP in the performance of its obligations under this Agreement shall be the exclusive property of the City and all such materials shall be remitted to the City by TXP upon completion, termination, or cancellation of this Agreement.

5.6 The City acknowledges TXP's ownership of its software, programs, inventions, know-how, trade secrets, confidential knowledge, source code, or other proprietary information relating to products, processes, services, software, formulas, developmental or experimental work, business plans, financial information, or other subject matter ("Confidential Information") pertaining to the business of TXP. This Agreement shall not in any way give rise to any requirement or obligation for TXP to disclose or release any Confidential Information.

The City may disclose Confidential Information it holds to the extent required by law. As required by the Texas Public Information Act (the "Act"), the City will notify TXP in the event a public information request made to the City encompasses any information protected by this Agreement. As authorized by the Act, TXP may submit arguments against disclosure of the requested information directly to the Office of the Texas Attorney General. The City will only release the requested information if required to do so by the Office of the Texas Attorney General.

5.7 The headings and article titles of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof.

5.8 Should either Party commence any legal action or proceeding against the other based upon this Agreement, the prevailing Party shall be entitled to an award of reasonable attorney's fees and costs.

5.9 All notices, requests, demands, and other communications that are required to be given under this Agreement shall be in writing and shall be deemed to have been duly given upon the delivery by registered or certified mail, return receipt requested, postage prepaid thereon, as follows:

5.10 TXP shall perform all services under this Agreement in a manner that is consistent with generally accepted standards of the economic development profession.

5.11 TXP shall be an independent contractor. TXP represents that it has, or will secure at our expense, personnel required in performing the services under this Agreement. Such employees shall neither be employees of the City nor have any contractual relationship with the City.

All of the services required hereunder shall be performed by TXP or under its supervision, and all personnel engaged in the work shall be fully qualified and authorized under the State and local law to perform such services.

To TXP: Travis D. James
Vice President
1310 South 1st St., Suite 105
Austin, Texas 78704

To City: Anna Hudson
Director of Development Services/
Historic Preservation Officer
126 W. Main St.
Fredericksburg, Texas 78624

5.12 The Parties hereby warrant that the persons executing this Agreement are authorized to execute this Agreement and are authorized to obligate the respective Parties to perform this Agreement. A facsimile signature on this Agreement shall be treated for all purposes as an original signature.

Executed on this ________ day of __________________, 2024.

TXP, Inc.

BY: ______________________
Travis D. James
Vice President

CITY OF FREDERICKSBURG, TEXAS

BY: ______________________
Clinton Bailey
City Manager

EXHIBIT A

Scope of Work

Based on past project experience, TXP recommends a two-phase approach for evaluating and implementing a Downtown TIRZ. If a TIRZ is not the best option, TXP can recommend alternative strategies for an area.

Part 1: TIRZ Feasibility Analysis

TXP will rely on the City's legal resources to manage the legal requirements associated with TIRZ creation, public notices, and legal documents.

Step 1: Data Collection & Public Input

The initial phase of the project requires an assessment of the TIRZ location. TXP will take the lead for collecting data and baseline information on the local economy, infrastructure, land use, and regulatory environment. As part of this task, TXP will obtain parcel data, GIS files, and taxable values from the Appraisal District.

During Trip #1, TXP project team members will meet with city staff, landowners, city council members, and other key stakeholders. TXP will require assistance from the City in arranging these meetings.

The outcome of Step 1 is to determine the formal boundaries of the TIRZ and create a realistic forecast for the amount of development that could occur within the TIRZ.

Step 2: Infrastructure Cost Analysis, Identification, and Evaluation

Following the collection of relevant data, TXP will work with the City, private landowners, and other stakeholders to identify the necessary infrastructure projects required in the potential TIRZ. If required, TXP can contract with an engineering firm to provide these services but at an additional cost to the City. Once the list of infrastructure projects has been developed, TXP and the City will prioritize the spending.

All the projects identified cannot be funded through TIRZ dollars. TXP will identify major categories that are appropriate for different types of improvements based on the scale and impact of the improvements. Using this methodology, the TIRZ can better leverage other funding sources to ensure that all the needed public improvements can be undertaken to make the TIRZ and the City sustainable in the long run.

The outcome of Step 2 is a list of larger catalytic projects that should be funded by the TIRZ. This list will not include every possible type of project, but rather major categories of spending.

1310 South 1st Street, Suite 105 | Austin, Texas 78704 | (512) 328-8300 phone | (512) 462-1240 fax | www.txp.com

Step 3: Preliminary TIRZ Tax Revenue Forecast
Using the findings of Steps 1 and 2, TXP will forecast annual property and sales tax revenues generated within the TIRZ(s) for 20 to 30 years.

TXP will review the findings of Step 3 with the City and other stakeholders as part of Trip #2.

Step 4: Determine if TIRZ is Feasible
Based on Steps 1 to 3, TXP will assist the City in determining if the TIRZ is feasible. TXP will provide a written feasibility study and analysis that will have unbiased advice as to whether or not a TIRZ, the projected developments, and infrastructure can be advanced with a TIRZ.

In Step 4, TXP will factor in what other taxing jurisdictions might participate. TXP recommends meeting with these other jurisdictions during Trips #1 and #2. Understanding who is likely to participate can have a material impact on whether or not a TIRZ is feasible.

Part 2: TIRZ Implementation

If the City decides the TIRZ is feasible and wishes to proceed with Part 2: TIRZ Implementation, the City will provide TXP with written approval to proceed.

Step 5: Assist City in Developing a Preliminary Reinvestment Zone Financing Plan
As required by state law, TXP will assist the City in developing a Preliminary TIRZ Project and Financing Plan, in accordance with the requirements of the Act. This Plan will be shared with other taxing entities as part of the notice of intent to create a TIRZ.

Step 6: Attend TIRZ Public Hearing
As required by state law, the City must hold a public hearing on the creation of the TIRZ and its benefits to the municipality and to property in the proposed zone. TXP will attend this meeting as part of Trip #3. As part of this trip, TXP can meet with other community stakeholders.

Step 7: TIRZ Final Project and Financing Plan
TXP will provide the Final Project and Finance Plan, drafted in full conformance with the requirements of the Act, in a form ready for consideration and approval by the TIRZ Board and the City Council. A challenge facing the majority of TIRZs that are not limited to a large site controlled by single owner is the difficult balance between investing in general infrastructure enhancements, versus focusing on a few catalytic projects that have the ability to fundamentally transform the area. Infrastructure enhancements such as road and utility upgrades can oftentimes consume the entire TIRZ budget, but might not be sufficient to grow the tax base over the long-term. High-profile catalytic projects (private or public sector) can take longer to develop, are subject to external economic forces, and might require the TIRZ to frontload

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spending that limits other projects. The Project and Financing Plan created by TXP will include an annual budget (costs and revenues) based on projected tax revenue, infrastructure needs, and a realistic timeline that phases in infrastructure spending over the duration of the TIRZ. In addition, the financing plan will highlight other funding and governance challenges facing the TIRZ that could have a material impact on funding the plan.

Step 8: Final Plan Presentations and Product

The TXP project team will present the findings to the City during Trip #4. TXP will provide the Project and Financing Plan in Word document form as well as GIS mapping files. Once the work is completed, effective communication of the findings and recommendations is the bridge to actual implementation.

Preliminary Project Timeline

TXP believes it will take four (4) to five (5) months to complete each TIRZ project. This would include a total of up to four (4) trips as outlined in the proposed scope of work. State law dictates the public hearing schedule and notice requirements.

Professional Fee & Payment Schedule

The professional fee for a single Downtown TIRZ project and location will be a fixed price fee of **$29,500**. This fee includes all normal costs of doing business. Travel expenses (ex. mileage and hotel) will be billed at cost to the City not to exceed a total of **$2,500**. TXP will invoice monthly. TXP will be paid within thirty (30) days of submitting an invoice. The following table outlines the approximate expected costs by major task/step/phase.

Step	Month 1	Month 2	Month 3	Month 4	Month 5	Fee
Part 1: TIRZ Feasibility Analysis						
1: Data Collection & Public Input	Trip #1					$2,500
2: Review Infrastructure Projects & Costs						$5,000
3: Preliminary Tax Revenue Forecast						$3,000
4: Determine if TIRZ is Feasible		Trip #2				$4,000
					Total	$14,500
Part 2: TIRZ Implementation						
5: Preliminary TIRZ Financing Plan						$5,000
6: Attend TIRZ Public Hearing			Trip #3			$2,500
7: TIRZ Project and Financing Plan						$5,000
8: Final Plan Presentations and Product				Trip #4		$2,500
					Total	$15,000
					Total	$29,500

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CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Secretary
TO: Mayor & City Council Members
FROM: Garret Bonn, Assistant City Manager
MEETING DATE: August 20, 2024

CATEGORY: OTHER ACTION ITEMS AND UPDATES

CAPTION: Consider and Take Action on Appointments to the Market Square Redevelopment Commission, Historic Review Board and Zoning Board of Adjustment (Garret Bonn, Asst. City Manager)

PRESENTATION:

SUMMARY:
Consider and take action on appointments to fill a number of vacant positions on the City's Market Square Redevelopment Commission, Historic Review Board, and Zoning Board of Adjustment.

BACKGROUND: The following positions for each board or commission will need to be filled:

- Market Square Redevelopment Commission - 3
- Historic Review Board - 1
- Zoning Board of Adjustment - 1

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:
Staff recommends action be taken to fill any vacancies on the Market Square Redevelopment Commission, Historic Review Board and Zoning Board of Adjustment.

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Government Vision

ATTACHMENTS:
None

APPROVAL/REVIEW:

Date: August 16, 2024

Anna Hudson, Director of Development Services

Date: August 16, 2024

Krista Wareham, Director of Finance

Date: August 16, 2024

William McKamie, City Attorney

Date: August 16, 2024

Clinton Bailey, City Manager

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Manager
TO: Mayor & City Council Members
FROM: Clinton Bailey, City Manager
MEETING DATE: August 20, 2024

CATEGORY: CITY MANAGER'S REPORT

CAPTION: City Manager's Monthly Update

PRESENTATION:

SUMMARY:

BACKGROUND:

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Business Visioning
Government Vision
Family Life Vision
Quality of Life Vision

ATTACHMENTS:
None

APPROVAL/REVIEW:

Clinton Bailey, City Manager

Date: August 16, 2024

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Secretary
TO: Mayor & City Council Members
FROM:
MEETING DATE: August 20, 2024

CATEGORY: ITEMS FOR FUTURE AGENDA

CAPTION: Future Agenda Items List

PRESENTATION:

SUMMARY:

BACKGROUND:

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Neighborhood Quality
Workforce
Tourism
City Center
Mobility
Small Town Sensitive Growth
Governance

ATTACHMENTS:
1. Future Agenda Items Listlv

APPROVAL/REVIEW:

Laticia Vacek

Date: August 16, 2024

Leticia Vacek, City Secretary

William McKamie, City Attorney

Date: August 16, 2024

Leticia Vacek, City Secretary

Date: August 16, 2024

Clinton Bailey, City Manager

Date: August 16, 2024

City Council Future Agenda Items/Meetings

September 3, 2024

2024	Approval/Award of Construction for Water/Sewer Utilities	Action	Kris Kneese	Dir. of Public Works
2024	Proposed FY25 Budget Public Hearing	Public Hearing	Krista Wareham	Finance Director
2024	Petition for Release of Property from CoF’s ETJ (Yeehaw Ranch)	Possible action	Mick McKamie	City Attorney
2024	Approval/Award of Financing for the Fire Rescue Truck	Action	Krista Wareham	Finance Director

Future Agenda Items

2024	Building Fee Updates (Sept 17)	Ordinance	Anna Hudson	Dev. Services Director
2024	Adoption of FY25 Budget (Sept 17)	Ordinance	Krista Wareham	Finance Director
2024	Adoption of Tax Rate for FY25 (Sept 17)	Ordinance	Krista Wareham	Finance Director
	Approval/Award of Annual Financial Audit Firm (Oct 1)	Action	Krista Wareham	Finance Director
	Consider a Request for an Extension of a 380 Development Agreement with former TX Ranger Foundation	Consideration	Garret Bonn	Asst. City Manager
	Consider a Request from the Fredericksburg Independent School District (FISD) for Vacation and Abandonment of Public Right of Way in the Vicinity of the New Middle School Campus	Action	Evan Williamson	Asst. City Engineer

Quarterly- Legal Matters (Oct 1st)	For Review	Mick McKamie	City Attorney

Upcoming Meetings

August 27, 2024 – Council FY2025 Budget Workshop - 1pm @ John Wm. Klein Room
September 11, 2024 - Coffee with the City Manager - 8am @ Golf Course
September 17, 2024 – City Council Regular Meeting - 9am @ Law Enforcement Center
October 1, 2024 – City Council Regular Meeting - at 9am @ Law Enforcement Center

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Manager
TO: Mayor & City Council Members
FROM:
MEETING DATE: August 20, 2024

CATEGORY: EXECUTIVE SESSION

CAPTION: Consider and discuss Real Estate in the vicinity of US 290E and Industrial Loop (Section 551.072)

PRESENTATION:

SUMMARY:

BACKGROUND:

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Business Visioning
Government Vision
Family Life Vision
Quality of Life Vision

ATTACHMENTS:
None

APPROVAL/REVIEW:

Clinton Bailey, City Manager

Date: August 13, 2024

Garret Bonn, Assistant City Manager

Date: August 13, 2024

William McKamie, City Attorney

Date: August 16, 2024

Clinton Bailey, City Manager

Date: August 16, 2024

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Manager
TO: Mayor & City Council Members
FROM: Garret Bonn, Assistant City Manager
MEETING DATE: August 20, 2024 **CATEGORY:** EXECUTIVE SESSION

CAPTION: Consider and discuss Real Estate in the vicinity of US 290E and Old San Antonio Rd. (Section 551.072)

PRESENTATION:

SUMMARY:

BACKGROUND:

FUNDING SOURCE:

FINANCIAL IMPACT:

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Government Vision

ATTACHMENTS:
None

APPROVAL/REVIEW:

Clinton Bailey, City Manager
Date: August 12, 2024

Garret Bonn, Assistant City Manager
Date: August 12, 2024

William McKamie, City Attorney

Date: August 16, 2024

Clinton Bailey, City Manager

Date: August 16, 2024

CITY COUNCIL AGENDA MEMO

DEPARTMENT: City Secretary
TO: Mayor & City Council Members
FROM: Garret Bonn, Assistant City Manager
MEETING DATE: August 20, 2024 **CATEGORY:** EXECUTIVE SESSION

CAPTION: Consider and discuss the value and possible disposition of city-owned real properties located throughout the City (Section 551.072)

PRESENTATION:

SUMMARY:

BACKGROUND:

FUNDING SOURCE: **FINANCIAL IMPACT:**

STAFF RECOMMENDATION:

COMPREHENSIVE PLAN GUIDING PRINCIPLE:
Business Visioning
Government Vision
Family Life Vision
Quality of Life Vision

ATTACHMENTS:
None

APPROVAL/REVIEW:

William McKamie, City Attorney Date: August 16, 2024

Clinton Bailey, City Manager

Date: August 16, 2024