

City of Fredericksburg

REGULAR CITY COUNCIL MEETING AGENDA MONDAY, DECEMBER 16, 2019 ~ 6:00 P.M. LAW ENFORCEMENT CENTER ~ 1601 EAST MAIN STREET

Linda Langerhans, Mayor
Tom Musselman, Councilmember
Bobby Watson, Councilmember

Charlie Kiehne, Councilmember
Gary Neffendorf, Councilmember
Kent Myers, City Manager

The City of Fredericksburg City Council will meet in a regular session on Monday, December 16, 2019, at 6:00 p.m. in the Law Enforcement Center, 1601 East Main Street, Fredericksburg, Texas. This is an open meeting, open to the public, subject to the Open Meetings Law of the State of Texas, and as required by law, notice is hereby posted on December 13, 2019, before 5:00 p.m., providing time, place, date and agenda thereof. The meeting facility is wheelchair accessible and accessible parking spaces are provided. Requests for accommodations or interpretative services must be made to the City Secretary 48 hours prior to this meeting.

(Please turn off all pagers and phones, except emergency on-call personnel.)

1. PLEDGE OF ALLEGIANCE

2. CALL TO ORDER

3. PROCLAMATION

- A. Nimitz Museum-75th Anniversary of the end of World War II
(Agenda Packet Page)

4. EMPLOYEE RECOGNITIONS

5. PUBLIC COMMENTS

The City Council welcomes citizen participation and comments at all City Council Regular Meetings. The City Council offers citizens the opportunity to address them by signing up to speak prior to the meeting and to limit comments to 3-minutes.

NOTE: The Texas Open Meetings Act permits a member of the public or a member of the governmental body to raise a subject that has not been included in the notice for the meeting. However, any discussion of the subject must be limited to a proposal to place the subject on the agenda for a future meeting and any response to a question posed to the City Council is limited to either a statement of specific information or recitation of existing policy. TEX. GOV'T CODE § 551.042.

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 CITY COUNCIL.

- A. Consider approval of the December 2, 2019, City Council Regular Meeting Minutes.
(Agenda Packet Pages 5-10)

- B.** Consider the approval of the reappointment of Brad Hardin and Jim Jarreau to the Economic Development Commission for another 2-year term.
(Agenda Packet Page 11-14)
- C.** Consider the approval of the appointment of Mayor Langerhans as an additional Council representative for any future mediation related to E. 290 Owners Coalition vs. City of Fredericksburg, currently pending in the 216th District Court.
(Agenda Packet Page 15-16)

7. ORDINANCE

- A.** Consider approval of Ordinance 2019-34 amending Section 3.205-C.1.5, Medium Commercial, of Appendix B – Zoning Ordinance, of the Code of Ordinances; to amend the permitted uses and conditional uses for the C-1.5, Medium Commercial Zoning District in the City; and providing for an effective date (first of two readings; City Council may waive second reading).
(Agenda Packet Pages 17-28)
- B.** Utility System Revenue Bonds and Election System Revenue Bonds
 - i. Receive a presentation by Dan Wegmiller, City Financial Advisor, and discuss a \$4.605 million Utility System Revenue Refunding Bonds, Series 2020 and a \$2.3 million Electric System Revenue Notes, Series 2020
(Agenda Packet Pages 29-34)
 - ii. Consideration and approval of Ordinance 2019-35 authorizing the City's Issuance of Its Utility System Revenue Refunding Bonds, Series 2020; providing for the payment of the principal of and interest on the Bonds by a first and prior lien on and pledge of the Pledged Revenues of the City's Combined Utility System; delegating the authority to certain City staff to approve and execute certain documents relating to the sale of the Bonds; and other matters in connection therewith (first of two readings; City Council may waive second reading).
(Agenda Packet Pages 35-94)

8. CITY MANAGER'S REPORT

- A.** January and February Meetings
- B.** Holiday Schedule

9. ITEMS FOR FUTURE AGENDA

(Agenda Packet Pages 95-96)

10. COUNCIL COMMENTS

Reports about items of community interest, which no action will be taken.

11. ADJOURN

This is to certify that I, Shelley Goodwin, posted this Agenda at 3:40 p.m. on December 11, 2019, at the entrance and on the bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.


Shelley Goodwin, TRMC
City Secretary

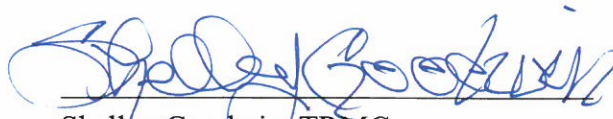
ADDENDUM TO AGENDA
OF
CITY COUNCIL REGULAR MEETING
MONDAY, DECEMBER 16, 2019 6:00 P.M.
LAW ENFORCEMENT CENTER 1601 EAST MAIN STREET

Notice is hereby given of a Regular Meeting of the Fredericksburg City Council, to be held on Monday, December 16, 2019 at 6:00 p.m. in the Law Enforcement Center, 1601 East Main Street, Fredericksburg, Texas.

The following item is hereby adding a public hearing to Agenda Item 7. A.

- 7. A Amending Section 3.205-C.1.5, Medium Commercial, of Appendix B – Zoning Ordinance
 - i. Hold a public hearing and discuss
 - ii. Consider approval of Ordinance 2019-34 amending Section 3.205-C.1.5, Medium Commercial, of Appendix B – Zoning Ordinance, of the Code of Ordinances; to amend the permitted uses and conditional uses for the C-1.5, Medium Commercial Zoning District in the City; and providing for an effective date (first of two readings; City Council may waive second reading).

This is to certify that I, Shelley Goodwin, posted this Addendum to Agenda at 9:00 a.m. on December 12, 2019 on the entrance door and bulletin board of the City of Fredericksburg City Hall, 126 W. Main St., Fredericksburg, Texas.


Shelley Goodwin, TRMC
City Secretary



Proclamation

WHEREAS, the end of World War II occurred in Tokyo Bay onboard the USS. *Missouri* on September 2, 1945 when Fleet Admiral Chester W. Nimitz signed the documents for the United States ending the war in the Pacific; and,

WHEREAS, the Commander in Chief of the U.S. Pacific Fleet, Fleet Admiral Nimitz was born in Fredericksburg, Texas; and returned home on October 13, 1945; and,

WHEREAS, over 750,000 Texans served in uniform during the war including one hundred-seven flag officers, thirty-three Medal of Honor recipients, and twenty-two thousand killed-in-action; and,

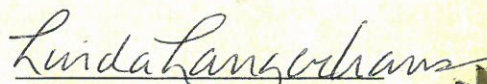
WHEREAS, a grateful nation desiring to express its appreciation for the sacrifices made by the individuals of the United States; and,

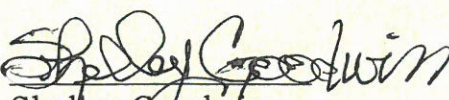
WHEREAS, the National Museum of the Pacific War is committed to ensuring that the stories of service, dedication and sacrifice of this generation are remembered and shared with present and future generations;

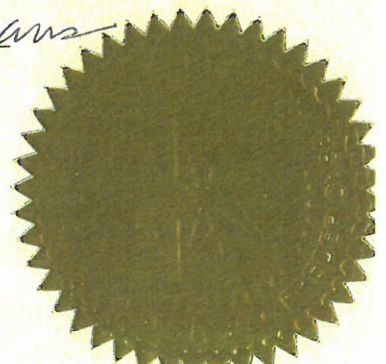
NOW, THEREFORE BE IT PROCLAIMED, that the Fredericksburg City Council, City of Fredericksburg, Texas, wishes to express its thanks by recognizing with deep gratitude and appreciation the service, dedication and sacrifice of all those who served our nation during World War II; and,

BE IT FURTHER PROCLAIMED that the City Council asks all residents and businesses in Fredericksburg, Texas to join them during 2020 in commemorating the 75th Anniversary of the end of World War II by remembering and honoring those who served.

IN WITNESS WHEREOF, I hereunto set my hand and official seal of the City of Fredericksburg this December 16, 2019.


Linda Langerhans
Mayor

Attest: 
Shelley Goodwin
City Secretary





CITY OF FREDERICKSBURG
MINUTES OF CITY COUNCIL REGULAR
MEETING
DECEMBER 2, 2019

Members Present:

Mayor Linda Langerhans
Mayor Pro Tem Gary Neffendorf
Councilmember Charlie Kiehne
Councilmember Tom Musselman
Councilmember Bobby Watson

Members Absent:

City Staff Present:

Kent Myers, City Manager
Clinton Bailey, Assistant City Manager/Director of Public Works and Utilities
Daniel Jones, City Attorney
Brian Jordan, Development Services Director
Steve Wetz, Police Chief
Lynn Bizzell, Fire Chief
Russell Immel, Information Technology Director
Andrea Schmidt, Parks Department Director
Lea Feuge, Public Information Officer
Kelli Olfers, Health Department Director
Kris Kneese, Assistant Director of Public Works and Utilities
Garret Bonn, Assistant Engineer
Shelley Goodwin, City Secretary

1. PLEDGE OF ALLEGIANCE

Mayor Langerhans led the Pledge.

2. CALL TO ORDER

With a quorum of the City Council present, Mayor Langerhans called the regular meeting of the Fredericksburg City Council to order at 6:00 p.m. on Monday, December 2, 2019, in the Law Enforcement Center, 1601 East Main Street, Fredericksburg, Texas 78624.

3. EMPLOYEE RECOGNITIONS

Kent Myers, City Manager, stated he did not have any recognition.

4. PUBLIC COMMENTS

Tim Lafferty spoke regarding the Executive Session item regarding Section 551.071 and the attorney the City Council has retained for the 290 E. annexation. He request information on the legal expenses for this case.

5. 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 CITY COUNCIL.

- A. Consider approval of the November 12, 2019, City Council Special Minutes.**
- B. Consider approval of the November 18, 2019, City Council Regular Meeting Minutes.**
- C. Consider approval of the appointments of Cathy Lindig and Wanda Detmar and the reappointment of Ruthann Hoover to the Gillespie County Health Board.**
- D. Consider approval of the 2020 City of Fredericksburg Holiday schedule.**
- E. Consider the approval of the Assessment and Collection Agreement with Gillespie Central Appraisal District effective February 1, 2020.**

Councilmember Watson pulled Agenda Item 5. D. to be considered separately.

Motion: A motion was made by Councilmember Musselman seconded by Councilmember Neffendorf, to approve the remainder of the Consent Agenda Items 5.A.-C and 5. E. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

D. Consider approval of the 2020 City of Fredericksburg Holiday schedule.

Kent Myers, City Manager reviewed the proposed City Holiday schedule and Gillespie County Holiday schedule.

Councilmember Watson stated the City should add Martin Luther King Holiday to the City Holiday schedule.

The City Council discussed other State and Federal Holidays.

Motion: A motion was made by Councilmember Watson seconded by Councilmember Musselman Neffendorf, to approve the 2020 Holiday schedule with the addition of January 20, 2020 Martin Luther King Holiday to the City Holiday schedule. The City Council voted four (4) for and one (1) opposed (Councilmember Kiehne). The motion carried.

6. ORDINANCE AND RESOLUTIONS

- A. Consider approval of Ordinance 2019-32 amending Article 24.000-Recreational Fees, of Appendix A – Fee Schedule, of the Code of Ordinances, to establish fees for use of the Basketball Pavilion located at Old Fair Park (first of two readings; City Council may waive second reading).**

Andrea Schmidt, Park Department Director, reviewed the history and the proposed basketball court fee for rental. She also reviewed the days and hours the court can be rented. She also reviewed the need to offer rentals.

The City Council reviewed the proposed rental fee and the rental days and hours.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Kiehne, to approve of Ordinance 2019-32 amending Article 24.000-Recreational Fees, of Appendix A – Fee Schedule, of the Code of Ordinances, to establish fees for use of the Basketball Pavilion located at Old Fair Park and to waive the second reading. The City Council voted five (4) for and one (1) opposed (Councilmember Musselman), and the motion was approved.

- B. Consider approval of Ordinance 2019-33 authorizing and allowing, under the Act Governing the Texas Municipal Retirement System, “Updated Service Credits” in said system on an annual basis for service preformed by qualifying members of such system who at the effective date of the allowance are in the employment of the City of Fredericksburg; providing for increased prior and current service annuities for retirees and beneficiaries of deceased retirees of the City; to increase the rate of deposits to the Texas Municipal Retirement System by the employees of the City; and establishing an effective date for the Ordinance (first of two readings; City Council may waive second reading).**

Kent Myers, City Manager, stated the City Council approved Texas Municipal Retirement System increase rate to 6% during their budget process.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Musselman, to approve of Ordinance 2019-33 authorizing and allowing, under the Act Governing the Texas Municipal Retirement System, “Updated Service Credits” in said system on an annual basis for service preformed by qualifying members of such system who at the effective date of the allowance are in the employment of the City of Fredericksburg; providing for increased prior and current service annuities for retirees and beneficiaries of deceased retirees of the City; to increase the rate of deposits to the Texas Municipal Retirement System by the employees of the City; and establishing an effective date for the Ordinance and waived the second reading. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

C. November 5, 2019, Special Election

- i. **Canvass the results of the recount returns.**
- ii. **Consider the approval of Resolution 2019-19 R declaring the results of the recount of the Special Election of the City of Fredericksburg, held November 5, 2019, and recount on November 22, 2019, for the purpose of a Charter Amendment.**

Mayor Langerhans stated the City of Fredericksburg received a Recount Petition, which was certified, and the Recount took place on Friday, November 22nd at 9:00 a.m. in the Fire Training Room.

The City Council reviewed the Returns and the Tally Sheets from the Recount of the City of Fredericksburg Special Election.

Councilmember Neffendorf read the Recount Results out loud.

	EARLY VOTES CAST	ELECTION DAY VOTES CAST	TOTAL VOTES CAST
YES	339	403	742
NO	674	587	1261

Mayor Langerhans stated the canvass has been completed.

Motion: A motion was made by Councilmember Neffendorf seconded by Councilmember Musselman, to approve Resolution 2019-19R declaring the results of November 22, 2019 recount of the Special Election of the City of Fredericksburg, held November 5, 2019. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

Councilmember Musselman thanked everyone involved in the Recount process.

D. Consider the approval of Resolution 2019-20R of intent to establish a City of Fredericksburg Property Assessed Clean Energy (PACE) Program

Kent Myers, City Manager, stated the City Council received a presentation on the PACE Program at their November 4th Regular Meeting and this Resolution is the next in the process. He stated several local projects have indicated an interest in this type of financing.

The City Council discussed the public hearing and options for communicating the public hearing and the program.

Motion: A motion was made by Councilmember Musselman, seconded by Councilmember Watson, to approve Resolution 2019-20R of intent to establish a City of Fredericksburg Property Assessed Clean Energy (PACE) Program. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

7. OTHER ACTION ITEMS AND UPDATES

A. Consider the approval of revised Interlocal Agreement with Texas Department of Public Safety (DPS) related to the program utilized by the Municipal Court.

Daniel Jones, City Attorney, reviewed the Interlocal Agreement related to a DPS program, which allows the Court to block driver's license renewals for defendants that Fail to Appear or pay judgements.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Kiehne, for the approval of revised Interlocal Agreement with Texas Department of Public Safety (DPS) related to the program utilized by the Municipal Court. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

B. Consider the award of bid for pre-pay proposal with Siddons Martin Emergency Group, LLC for a Fredericksburg Fire Department Impel PUC Pumper.

Lynn Bizzell, Fire Chief, reviewed the project and the need for the pumper. He stated awarding the bid for the pre-pay proposal will save the City approximately \$24,357.00. He also reviewed the purchases the Fredericksburg Volunteer Fire Department is making.

Motion: A motion was made by Councilmember Watson, seconded by Councilmember Kiehne, to award the bid for pre-pay proposal with Siddons Martin Emergency Group, LLC for a Fredericksburg Fire Department Impel PUC Pumper in the amount of \$811,900.31. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

C. CITY MANAGER'S REPORT

i. Future Annexations

Kent Myers, City Manager, reviewed the following upcoming annexations:

Live Oak Annexation ordinance, land use amendment ordinance, amendment to zoning ordinance and agreement with property owner will be held on January 6, 2020.

Stone Ridge Unit 10 Annexation- Public Hearings will be held on January 6, 2020 and January 21, 2020.

ii. Election Recount

Kent Myers, City Manager, thanked the Mayor who was the Recount Coordinator, City Attorney, and the City Secretary for their team efforts in the Recount process. He also stated the recount expenses has not been finalized, but Clean Water Fred will exceed their \$500 deposit.

Mayor Langerhans thanked all Recount Team members for all their hard work.

iii. Relief Route

Kent Myers, City Manager, stated TxDOT will be holding a Relief Route Open House on January 14, 2020 from 2 p.m. to 7 p.m. at the Farm Bureau.

9. Future Agenda

Kent Myers, City Manager, reviewed the upcoming agenda items.

10. COUNCIL COMMENTS

Councilmember Kiehne thanked everyone involved with the Christmas Tree Lighting.

11. EXECUTIVE SESSION

The City Council will recess its open meeting and reconvene in Executive Session pursuant to Texas Government Code Section 551.087 (Deliberation Regarding Economic Development Negotiations) and Section 551.071 (Consultation with Attorney):

- A. Consider and discuss economic development agreement related to the construction and operation of a Hotel and Conference Center in the City; and to receive legal advice concerning said economic development agreement (Section 551.087 and Section 551.071), and**
- B. Consider and discuss E. 290 Owners Coalition vs. City of Fredericksburg, Texas, pending in the 216th District Court (Section 551.071), and**
- C. Consider and discuss enforcement of the City's water conservation ordinance, related to water utility customers located outside the City limits (Section 551.071).**

Motion: A motion was made by Councilmember Musselman, seconded by Councilmember Kiehne, to go out of Regular Session into Executive Session at 6:45 p.m. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

Motion: A motion was made by Councilmember Neffendorf, seconded by Councilmember Watson, to go out of Executive Session into Regular Session at 8:03 p.m. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

12. BUSINESS ITEM

Motion: A motion was made by Councilmember Kiehne, seconded by Councilmember Watson, to appoint Councilmember Neffendorf as the Council representative for the mediation session on

the Highway 290 E. annexation case currently pending in the 216th District Court. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

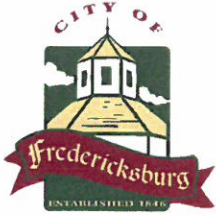
13. ADJOURN

Motion: A motion was made by Councilmember Neffendorf, seconded by Councilmember Musselman, to adjourn the Monday, December 2, 2019, City Council Regular Meeting at 8:06 p.m. The City Council voted five (5) for and none (0) opposed. The motion carried unanimously.

Linda Langerhans
Mayor

ATTEST

Shelley Goodwin, TRMC
City Secretary



CITY COUNCIL MEMO

DATE: December 9, 2019
TO: Mayor and City Council
FROM: Kent Myers, City Manager
SUBJECT: EDC Appointments

Summary:

The City Council has four appointees who serve on the EDC Board of Directors for two-year terms. Two of these appointees, Brad Hardin and Jim Jarreau, have terms expiring December 31, 2019.

Recommendation:

It is recommended that Brad Hardin and Jim Jarreau be reappointed for another two-year term.

Background / Analysis:

Attachments:

Listing of current EDC Board members


Department Approval


City Manager Approval



City Attorney Approval

(EDC appointments)

Gillespie County Economic Development Commission 2019 Officers and Board of Directors

President:	Steve McAnally
Vice President:	Jim Jarreau
Treasurer	Tony Klein
Secretary	Lin Winfrey
Executive Director	Tim Lehmberg

The 2019 GCEDC Board of Directors with term expiration

Appointed by the City:	Term Expires:
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Brad Hardin	Dec. 31, 2019
Jim Jarreau	Dec. 31, 2019
Stephen Harris	Dec. 31, 2020
Julie Kuhlken	Dec. 31, 2020

Appointed by the County:

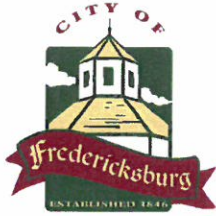
Ross Allen	Dec. 31, 2019
Tony Klein	Dec. 31, 2019
Steve McAnally	Dec. 31, 2020
Lin Winfrey	Dec. 31, 2020

Appointed by the GCEDC Board of Directors:

Amanda Stevens	Dec. 31, 2019
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Ex-Officio Members: By Position (Confirmed Annually)

County of Gillespie	Mark Strocher, Charles Olfers
City of Fredericksburg	Linda Langerhans, Gary Neffendorf
Chamber of Commerce	Penny McBride
Convention/Visitors Bureau	Ernie Loeffler
Harper Community	Dan Abbott
Stonewall Chamber	Jamey Vogel
Airport Manager	Tony Lombardi
Board of Realtors	Nicole Bartel Carroll



CITY COUNCIL MEMO

DATE: June 29, 2019

TO: Mayor and City Council

FROM: Kent Myers, City Manager

SUBJECT: Council Representative for Mediation

Summary:

The City Council previously approved the appointment of Councilman Gary Neffendorf as the City's representative for mediation on the litigation involving the 290E annexation. It has been suggested by several Council members that there be a second City representative for this mediation.

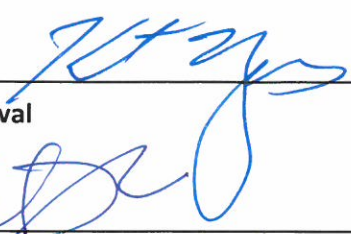
Recommendation:

It is recommended that Mayor Langerhans be appointed as the second Council representative for mediation on the 290E annexation litigation.

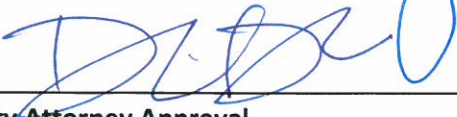
Background / Analysis:

In the next 30-60 days we expect to be engaged in mediation in an effort to resolve the 290E annexation litigation. Our legal counsel has advised the City to appoint one or more Council members to represent the City in this mediation.

Attachments:



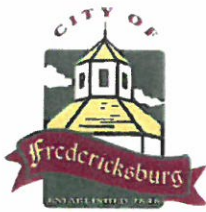
Department Approval



City Attorney Approval



City Manager Approval



CITY COUNCIL MEMO

DATE: December 16, 2019
TO: City Council
FROM: Brian Jordan, AICP
SUBJECT: Ordinance Amending the C1.5 Medium Commercial Zoning District.

Summary: The City Council adopted Ordinance 2019-12 on April 15, 2019. This ordinance established the new C 1.5 Medium Commercial Zoning District. This district was established to provide a zoning District between the C-1 Neighborhood Commercial District and the C-2, Commercial District. As you may recall, we also established the MU-1 and MU-2 zoning districts at the same time. It was recently brought to our attention when someone was considering a use on a property that the uses approved do not match the uses that were adopted in the ordinance. In this particular case, someone was proposing an "Indoor Sports and Recreation Use" which is not permitted, but an "Outdoor Sports and Recreation Use" was listed as a permitted use. In reality, neither of these uses were to be permitted.

Recommendation: The Commission voted unanimously to recommend approval of the corrected list of permitted and conditional uses, and the addition of "Indoor Sports and Recreation" as a Conditional Use. Staff concurs with this recommendation.

Background / Analysis: Based on our review of the attached Schedule of Uses matrix and the adopted ordinance, there were uses that should not be on the permitted list, uses that should be on the permitted list and are not, uses that should be permitted by Conditional Use, and uses that are omitted from the list. We are not sure how this discrepancy occurred, but the intent of this amendment is to correct these errors.

Attachments:

Amended Ordinance, Schedule of Use Matrix , Brief



Department Approval



ORDINANCE NO. 2019-34

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS, AMENDING SECTION 3.205 – C-1.5: MEDIUM COMMERCIAL, OF APPENDIX B - ZONING ORDINANCE, OF THE CODE OF ORDINANCES; TO AMEND THE PERMITTED USES AND CONDITIONAL USES FOR THE C-1.5: MEDIUM COMMERCIAL ZONING DISTRICT IN THE CITY; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, an application for a text amendment of the Zoning Ordinance, related to the creation of an additional commercial zoning district in the City, has been initiated by motion of the Planning and Zoning Commission; and

WHEREAS, public hearings before the Planning and Zoning Commission and the City Council of the City of Fredericksburg have been duly noticed and held regarding such application, as required by the City of Fredericksburg Zoning Ordinance; and

WHEREAS, the Planning and Zoning Commission has determined that such text amendment is in conformity with the uses established by the Comprehensive Land Use Plan of the City of Fredericksburg and is consistent with the objectives of the City of Fredericksburg Zoning Ordinance, and has recommended to the City Council of the City of Fredericksburg, based upon positive findings under the review and evaluation criteria established by such ordinance, that the text amendment be enacted; and

WHEREAS, the City Council has specifically found, following public hearing, that such text amendment is consistent with the objectives of the City of Fredericksburg Zoning Ordinance and Comprehensive Land Use Plan of the City of Fredericksburg and there has not been a protest against rezoning signed by owners of twenty per cent (20%) or more either of the area of the property included in the zoning text amendment, or of the area of the property immediately adjoining the same and extending two hundred feet (200') therefrom.

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

Section 1. That, Appendix B - Zoning Ordinance, of the Code of Ordinances, is hereby amended by the deletion of Section 3.205 – C-1.5: Medium Commercial in its entirety, and the following substituted therefore:

Sec. 3.205. – C-1.5: MEDIUM COMMERCIAL.

Intent

This zone represents an effort to provide a district between the Neighborhood Commercial District and the Commercial District. Uses have been selected from each of

the various districts, with the intent that the proposed uses could function as a transition between highway commercial and residential neighborhoods, but could also provide a lower impact zone along other major roadways.

Principal Permitted Uses

Building, structures and lands shall be used, and buildings and structures shall hereinafter be erected, altered or enlarged only for the following uses as the City Council, by resolution, may deem to be similar to those uses listed and not obnoxious or detrimental to the public health, safety and welfare:

Administrative and Business Office
Arts and Crafts
Business Support Services
Communication Services
Consumer Repair Services
Convalescent Services
Cultural Services
Day Care Services
Financial Services
Guidance Services
Hospital Services (Limited)
Local Utility Services
Medical Offices
Personal Improvement Services
Personal Services
Pet Services
Professional Offices
Private Primary Educational Facilities
Private Secondary Educational Facilities
Religious Assembly
Restaurant - Limited
Retail Sales - Limited
Single Family Residential (Detached) – if structure was not used as other than residential in its most recent use
Group Residential
Multiple Family Residential

Uses Permitted Subject to Conditional Use Permit

The following uses may be permitted subject to a Conditional Use Permit as provided for in section 5.400.

Automobile Washing
Building Maintenance Services
Business or Trade School
Club or Lodge
Cocktail Lounge
Convenience Storage
Consumer Convenience Services
Convenience Store/Self Serve Gasoline
Custom Manufacturing
Food Sales
Drive through or Drive-in facilities associated with any use
General Retail Sales
Indoor Sports and Recreation
Kennels
Laundry Services
Liquor Sales
Mobile Food Establishments
Single Family Residential (Detached) – new construction or after cessation of use other than residential
Duplex Residential

Townhouse Residential
Condominium Residential

Property Development Standards

Except as hereinafter provided, no building or structure or part thereof shall be erected, altered or converted for any use permitted in this district unless it is in conformity with all the standards and regulations herein specified for lot area, lot width, lot depth, dwelling unit area, lot coverage, yards and building height. The following standards shall apply except in cases where a lot does not meet the standards herein required but was an official "lot of record" prior to the adoption of this ordinance. In such cases, the present dimension shall be maintained as a minimum standard until such time as the use is removed. The replacement shall meet the standards and regulations herein specified.

Site Development Regulations

Each site in the C-1.5 District shall be subject to the following site development regulations:

<u>Feature</u>	<u>Regulation</u>
Lot Size	Minimum Lot Area, 7,500 Square feet
Lot Width	Minimum Lot Width, 70 feet
Height	Maximum Building Height, 3 stories, 38 feet
Front Yard	Minimum Required Setback, 20 feet
Street Side Yard	Minimum Required Setback, 20 feet
Interior Side Yard	Minimum Required Setback, 5 feet*
Rear Yard	Minimum Required Setback, 10 feet*
Maximum Impervious Coverage	75%
Maximum Building Coverage	Percent of Lot Area, 60%
Residential Density	Section 3.120

Nonconforming Uses	Section 6.100
Site Development Regulations	Section 7.000 and 7.100
Yard Regulations	Section 7.300
Height Regulations	Section 7.510
Fences, Walls and Visibility	Section 7.530
Parking	Section 7.800
Landscaping and Screening Regulations	Section 7.900
Temporary/Accessory Building	Section 8.100
Signs	Sign Ordinance
Outdoor Amplified Sound	Prohibited when adjacent to R-1, R-1-A, and R-5
*25 feet when adjacent to residential zoning district	

{End of code text}

Section 2. That all references in City of Fredericksburg Code of Ordinances to the Zoning Ordinance shall henceforth refer to such as is amended hereby.

Section 3. Severability or Invalidity. If any provision of this ordinance or the application hereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without defeating the purpose or objective of the provisions, and to this end, the provisions of this ordinance are declared to be severable.

Section 4. Repealer. All ordinances and parts of ordinances in conflict with the provisions of this ordinance are hereby repealed.

Section 5. Effective Date. This Ordinance shall take effect upon the date of its passage.

PASSED AND APPROVED on this the ____ day of _____, 20_____.

Linda Langerhans, Mayor

City of Fredericksburg, Texas

ATTEST:

Shelley Goodwin, TRMC

City Secretary

APPROVED AS TO FORM:

Daniel Jones, City Attorney

APPENDIX D: SCHEDULE OF USES

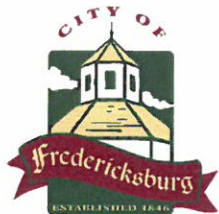
SCHEDULE OF USES	R-1	R-2	R-3	R-4	R-5	C-1	C1-5	C-2	CBD	MU-1	MU-2	M-1	M-2	M-3	OS	HO	PF	PUD
RESIDENTIAL USES:																		
Single Family Residential (Detached)	*	*	*	*	*	C	C	C	C	*	*					*		C
Duplex Residential		*	*	*		C	C	C	C	*	*					*		C
Manufactured Home Residential				*														C
Townhouse Residential		C	C			C	C	C	C	*	*					C		C
Condominium Residential		C	C			C	C	C	C	*	*					C		C
Multiple Family Residential		*	*	*		*	*	*	*	*	*					C		C
Group Residential		*	*	*		*	*	*	C	C	C					C		C
INDUSTRIAL USES																		
Basic Industry														C				C
Custom Manufacturing						C	C	*	C	*	*	*	*	*				C
General Warehousing & Distribution													C	C				C
Light Manufacturing												C	C	C				C
Limited Warehousing & Distribution												C	C	C				C
Resource Extraction														C				C
Stockyards													C	C				C
CIVIC USES:										*	*							
Administration Services																*		
Aviation Facilities																	C	
Cemetery																	C	
Club or Lodge			C			C	C	*	*	*	*	*	*	*		*		C
College or University Facilities										*	*					*		
Community Recreation	C	*	*	*	C					*	*					C	*	
Convalescent Services		C	C			*	*	*	*	*	*					C		
Cultural Services		C	C			*	*	*	*	*	*					*	*	C
Day care Services	C	C	C	C	C	*	*	*	*	*	*					*	*	C
Detention Facilities																		
Guidance Services	C	C	C		C	C	C	*	*	C	C					C	*	
Hospital Services (General)						C	C	*	C	*	*					C	*	
Hospital Services (Limited)							*	*	*	*	*	*	*	*		*	*	
Local Utility Services	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Maintenance and Service Facilities								*				*	*	*			*	
Major Utility Facilities																	*	
Military Installations																	*	
Park and Recreation Services										*	*					*	*	
Postal Facilities																*	*	
Private Primary Educational Facilities	C	C	C	C	C	*	*	*	*	C	C					*	*	

SCHEDULE OF USES	R-1	R-2	R-3	R-4	R-5	C-1	C1-5	C-2	CBD	MU-1	MU-2	M-1	M-2	M-3	OS	HO	PF	PUD
Private Secondary Educational Facilities	C	C	C	C	C	*		*	*	C	C					*		
Public Primary Educational Facilities																*	*	
Public Secondary Educational Facilities																*	*	
Railroad Facilities														C			C	
Religious Assembly	C	C	*	C	C	*		*	*	*	*	*				*	*	C
Safety Services																		
Transportation Terminals								C	C	C	C	C	C	C	C	C	C	
AGRICULTURAL USES:																		
Horticulture								*	C			*	*	*		C		
COMMERCIAL USES:																		
Administrative and Business						*	*	*	*	*	*	*	*	*		*		C
Agriculture Sales and Services								*				*	*	*				
Arts and Crafts						C	*	*	*	*	*	*	*	*		*		
Automobile Rentals								*		C	C	*	*	*				
Automotive Repair Services								*				*	*	*				
Automotive Sales								*				*	*	*				C
Automotive Washing						C	C	*				*	*	*				
Building Maintenance Services						C	C	*				*	*	*				
Business Support Services						C	*	*	C	*	*	*	*	*		*		C
Business or Trade School						C	C	*	C	C	C	*	*	*		*		C
Campgrounds								C				C	C		C		C	
Cocktail Lounge							C	*	*	*	*	*	*	*		*		C
Commercial Off-Street Parking								*	C			*	*	*		*		C
Communication Services						C	*	*	C			*	*	*		C		C
Construction Sales and Services								*				*	*	*				
Consumer Convenience Services						C	C	*	*	*	*	*	*	*		*		C
Consumer Repair Services						C	*	*	*	*	*	*	*	*		*		C
Convenience Storage						C	*	*	*	*	*	*	*	*		*		C
Convenience Store/ Self Service Gas						C	C	C		C	C	*	*	*				C
Equipment Repair Services								*				*	*	*				
Equipment Sales								*				*	*	*				
Exterminating Services								*				*	*	*				
Financial Services							*	*	*	*	*	*	*	*		*		C

SCHEDULE OF USES	R-1	R-2	R-3	R-4	R-5	C-1	C1-5	C-2	CBD	MU-1	MU-2	M-1	M-2	M-3	OS	HO	PF	PUD
Food Sales						c	c	*	c	*	*	*	*	*		*		c
Funeral Services								*	c			*	*	*		c		
General Retail Sales							c	*	*	*	*	*	*	*		*		c
Hotel Motel								*	c	*	*	*	*	*		c		c
Indoor Entertainment								*	c	*	*	*	*	*		*		
Indoor Sports and Recreation								*	c	*	*	*	*	*		*		c
Kennels							c	*		*	*	*	*	*				
Laundry Services						c	c	*		*	*	*	*	*		*		c
Liquor Sales						c	c	*	*	*	*	*	*	*		*		c
Medical Offices						*	*	*	c	*	*	*	*	*		*	*	c
Mobile Food Establishments							c	*	*	*	*	*	*	*				
Outdoor Entertainment								*	c	*	*	*	*	*		*		c
Outdoor Sports and Recreation								*	c	c	c	*	*	*		*	c	
Pawn Shop Services								*				*	*	*				
Personal Improvement Services						c	*	*	*	*	*	*	*	*		*		c
Personal Services						*	*	*	*	*	*	*	*	*		*		c
Pet Services						c	*	*	*	*	*	*	*	*		*		c
Professional Offices						*	*	*	*	*	*	*	*	*		*		c
Research Services								*				*	*	*				c
Restaurant - Drive-In/ Fast Food								*		*	*	c	c	c		c		c
Restaurant								*	*	*	*	*	*	*		*		c
Restaurant - Limited						c	*	*	*	*	*	*	*	*				
Retail Sales- Limited						c	*	*	*	*	*	*	*	*				
Scrap and Salvage Services								*	*	*	*	*	*	*				
Service Station								*				*	*	*				c
Stables												*	*	*			c	
Vehicle Storage													c				c	
Veterinary Services								*			*	*	*	*				c
Shopping center										*	*	*	*	*				c
Drive-In Facilities						c	c	c	c	c	c	c	c	c		c		c

* - Permitted Uses

c - Conditional Uses



CITY COUNCIL MEMO

DATE: December 11, 2019

TO: Mayor and City Council

FROM: Kent Myers, City Manager

SUBJECT: Utility Revenue Bond Refunding and Issuance of New Electric System Revenue Bonds

Summary:

At Monday's Council meeting, Dan Wegmiller, will present information on the timeline for refunding \$4.605 million in existing Utility Revenue Bonds and the issuance of \$2.3 million in new Electric System Revenue Notes.

Recommendation:

Following Dan's presentation, Council direction is needed on whether to proceed with this financing.

Background / Analysis:

The City Financial Director, Dan Wegmiller, has been working with City staff on the financing of the new Electric Services building. This facility was approved as part of the 2020 City Budget with the first year's payment on the notes included in the approved Budget.

We recently opened bids on this project with the low bid of about \$2.2 million submitted by Kendnel Kasper Construction Company. These bids will be considered by the City Council at your next meeting. With the favorable bids we have received, we are now ready to proceed with the financing according to the schedule shown in the attachment.

While we have been working with Dan on this new financing, he identified some cost savings that the City could realize if we refinanced existing Utility Revenue Bonds. With the current favorable interest rates, it is estimated that we would save about \$185,000 if the bonds were refinanced. If the Council wants to proceed with this refunding, then it is recommended that you approve the ordinance that will authorize the staff to proceed with approval of certain documents related to the refinancing. This ordinance is included as a separate item on the agenda for Monday's meeting.

Attachments:

Timeline for Refunding of Utility Revenue Bonds and Issuance of New Revenue Notes

Debt Service Schedule for Electric System Revenue Notes

Cost Savings for Refunding Utility Revenue Bonds



Department Approval



City Manager Approval



City Attorney Approval



Preliminary Current Refunding Summary

Refunded Bonds				
Issue	Maturities	Interest Rates	Amount	Callable Beginning Any Date
Series 2013 Utility Revs	2021-2033	3.097%	\$ 5,040,000	

Preliminary Summary of Results

Est. Par Amount of Refunding Bonds	\$ 5,125,000
Est. Total Debt Service Savings	\$ 185,017
Est. Net Present Value Savings (\$)	157,511
Net Present Value Savings (%)	3.125%

Note: Refunding analysis as of December 10, 2019 for purposes of illustration only. Preliminary, subject to change.

Fiscal Year	Projected Annual Savings			Est. Savings
	Existing D/S	Post-Ref Net D/S		
2020	\$ 470,889	\$ 450,932	\$	19,958
2021	471,134	457,681		13,452
2022	471,068	459,488		11,581
2023	470,693	456,116		14,578
2024	470,009	457,566		12,443
2025	469,014	453,838		15,177
2026	472,633	459,872		12,761
2027	470,864	460,609		10,255
2028	468,786	456,169		12,617
2029	471,321	456,550		14,771
2030	473,391	461,634		11,756
2031	470,074	456,481		13,592
2032	471,369	461,091		10,279
2033	472,201	460,403		11,797
	\$ 6,593,446	\$ 6,408,428	\$	185,017

Preliminary

City of Fredericksburg, Texas

\$2,300,000 Electric System Revenue Notes, Series 2020

Direct Purchase Scenario

For Purposes of Illustration Only

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/11/2020	-	-	-	-	-
08/15/2020	270,000.00	3.000%	35,266.67	305,266.67	-
09/30/2020	-	-	-	-	305,266.67
02/15/2021	-	-	30,450.00	30,450.00	-
08/15/2021	245,000.00	3.000%	30,450.00	275,450.00	-
09/30/2021	-	-	-	-	305,900.00
02/15/2022	-	-	26,775.00	26,775.00	-
08/15/2022	250,000.00	3.000%	26,775.00	276,775.00	-
09/30/2022	-	-	-	-	303,550.00
02/15/2023	-	-	23,025.00	23,025.00	-
08/15/2023	365,000.00	3.000%	23,025.00	388,025.00	-
09/30/2023	-	-	-	-	411,050.00
02/15/2024	-	-	17,550.00	17,550.00	-
08/15/2024	380,000.00	3.000%	17,550.00	397,550.00	-
09/30/2024	-	-	-	-	415,100.00
02/15/2025	-	-	11,850.00	11,850.00	-
08/15/2025	390,000.00	3.000%	11,850.00	401,850.00	-
09/30/2025	-	-	-	-	413,700.00
02/15/2026	-	-	6,000.00	6,000.00	-
08/15/2026	400,000.00	3.000%	6,000.00	406,000.00	-
09/30/2026	-	-	-	-	412,000.00
Total	\$2,300,000.00	-	\$266,566.67	\$2,566,566.67	-

Yield Statistics

Bond Year Dollars	\$8,885.56
Average Life	3.863 Years
Average Coupon	3.0000000%
DV01	837.85
Net Interest Cost (NIC)	3.0000000%
True Interest Cost (TIC)	2.9999299%
Bond Yield for Arbitrage Purposes	2.9999299%
All Inclusive Cost (AIC)	3.6183853%

IRS Form 8038

Net Interest Cost	3.0000000%
Weighted Average Maturity	3.863 Years

2020 \$2.3mm pdf util sys | SINGLE PURPOSE | 12/10/2019 | 3:28 PM

Specialized Public Finance Inc.
Austin, Texas

Page 1



City of Fredericksburg, Texas
\$4.605MM Utility System Revenue Refunding Bonds, Series 2020
\$2.3MM Electric System Revenue Notes, Series 2020

Revised Timeline of Events – Competitive Placement Sale

Monday, December 16, 2019*	City Council meeting to discuss Utility System Revenue Refunding Bonds and Electric System Revenue Notes issuance timeline. The City Council considers adopting an ordinance authorizing the issuance of Refunding Bonds.
Friday, January 3, 2020	The Term Sheets are distributed to potential bidders.
Thursday, January 16, 2020	Bids received on the Bond and Note issues.
Tuesday, January 21, 2020*	The City Council considers adopting an ordinance authorizing the issuance of Notes to fund Electric System project.
Tuesday, February 11, 2020	<u>Delivery Date</u> . The City receives funds from the Purchaser(s) of the Bonds/Notes for refunding and project funds.

*Official City Council Meeting.



CITY COUNCIL MEMO

DATE: December 11, 2019

TO: Mayor and City Council

FROM: Kent Myers, City Manager

SUBJECT: Refunding of Utility Revenue Bonds

Summary:

Dan Wegmiller, City Financial Advisor, will present information at Monday's Council meeting on the estimated cost savings that the City could realize if the existing Utility Revenue Bonds issued in 2013 were refinanced.

Recommendation:

If the City Council decides to proceed with this refinancing, then it is recommended that you approved the attached ordinance delegating authority to City staff to approve and execute certain documents related to this refinancing.

Background / Analysis:

Attachments:

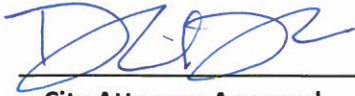
Proposed Refinancing Ordinance

The City of Fredericksburg

Agenda Packet Page 35

Department Approval

City Manager Approval



City Attorney Approval

ORDINANCE NO. 2019-35

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF FREDERICKSBURG, TEXAS UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020"; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PREVIOUSLY ISSUED BONDS, 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; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND A PURCHASE AND INVESTMENT LETTER; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF CITY STAFF TO FINALIZE AND EXECUTE CERTAIN DOCUMENTS EVIDENCING TERMS OF SALE OF THE BONDS; AND PROVIDING FOR AN EFFECTIVE DATE

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ORDINANCE NO. ____4

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF FREDERICKSBURG, TEXAS UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020"; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, TOGETHER WITH CERTAIN CURRENTLY OUTSTANDING PREVIOUSLY ISSUED BONDS, 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; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND A PURCHASE AND INVESTMENT LETTER; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO CERTAIN MEMBERS OF CITY STAFF TO FINALIZE AND EXECUTE CERTAIN DOCUMENTS EVIDENCING TERMS OF SALE OF THE BONDS; 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 *Previously Issued Bonds*) 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 has heretofore issued, sold, and delivered, and there are currently outstanding obligations in the aggregate principal amount of \$5,040,000, being the obligations set forth on Schedule I hereto (the *Refunded Obligations*); and

WHEREAS, pursuant to the provisions of Chapter 1207, as amended, Texas Government Code (*Chapter 1207*), the City Council is authorized to issue revenue refunding bonds and deposit the proceeds of sale under an escrow agreement to provide for the payment of the Refunded Obligations, and such deposit, when made in accordance with Chapter 1207, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 requires that the deposit of the proceeds from the sale of the revenue refunding bonds be deposited directly with any designated escrow agent for the Refunded Obligations that is not the depository bank of the City; and

WHEREAS, _____, which is not a depository bank of the City, is appointed and will serve as the Paying Agent/Registrar (hereinafter defined) and Escrow Agent (hereinafter defined) for the revenue refunding bonds; and

WHEREAS, Regions Bank, Houston, Texas currently serves as the paying agent for the Refunded Obligations"; and

WHEREAS, the City Council also hereby finds and determines that the Refunded Obligations are scheduled to mature or are subject to being redeemed, not more than twenty (20) years from the date of the revenue refunding bonds herein authorized; and

WHEREAS, the City Council hereby finds and determines that the Refunded Obligations are scheduled to mature, or are subject to being redeemed, not more than twenty (20) years from the date of the refunding bonds herein authorized to restructure the City's debt service and such refunding will result in a gross savings of \$_____ and a net present value savings of \$_____ (_____%), including the City's cash contribution of \$_____; and

WHEREAS, the City Council of the City has determined that revenue refunding bonds payable from and equally and ratably secured solely by a junior lien on and pledge of the Net Revenues of the System should be issued for the purposes of refunding the Refunded Obligations; and

WHEREAS, the City is empowered by the provisions of Chapters 1207 and the City's Home Rule Charter to issue revenue refunding 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 Previously Issued Bonds 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 Director of Finance 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 REFUNDING BONDS, SERIES 2020" (the *Bonds*), pursuant to an ordinance adopted by the City Council (the *Ordinance*) for the purpose of (i) discharging and making final payment of the Refunded Obligations, and 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 Previously Issued Bonds, 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 1207, the City's Home Rule Charter, and the Ordinance.

As authorized by Chapter 1207, each Authorized Official is hereby authorized, appointed and designated as the officer of the City authorized to act on behalf of the City in selling and delivering the Bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the aggregate principal amount of each maturity of the Bonds, the rate of interest to be borne on the principal amount of the Bonds, the redemption provisions therefor, and the Dated Date therefor. Each Authorized Official, acting for and on behalf of the City, is authorized to execute the "Approval Certificate", being a completed version of the form attached as Schedule II hereto. The principal amount of the Bonds in the, shall not exceed \$5,250,000; the maximum maturity of the Bonds will be December 31, 2033; the true interest rate per annum (federal arbitrage yield) shall not exceed 6.00%; and the refunding of the Refunded Obligations shall produce not less than 1.00% in net present value savings. Upon execution of an Approval Certificate, Bond Counsel is authorized to complete this Ordinance to reflect such final terms relative to the applicable series of Bonds.

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 January 1, 2020 (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 _____, 2020), 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:

<u>Year of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amounts (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
--	---	-------------------------------------

Year of
Stated Maturity

Principal
Amounts (\$)

Interest
Rates (%)

The Bonds shall bear interest on the unpaid principal amount thereof at the per annum rates shown above, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable on February 15 and August 15 of each year (each, an *Interest Payment Date*), commencing August 15, 2020, 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 _____ (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 (provided, however, with respect to principal payments prior to the final Stated Maturity, the Bonds need not be surrendered to the Paying Agent/Registrar, who will merely document this payment on an internal ledger maintained by the Paying Agent/Registrar). 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 on or prior to the appropriate date of payment 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) 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 August 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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, upon written instructions from the Purchasers or their designee, 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 REFUNDING BONDS,
SERIES 2020

Bond Date:
January 1, 2020

Interest Rate:

Stated Maturity:

CUSIP No.

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 ____, 2020), 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 August 15, 2020.

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 (provided, however, with respect to principal payments prior to the final Stated Maturity, the Bonds need not be surrendered to the Paying Agent/Registrar, who will merely document this payment on an internal ledger maintained by the Paying Agent/Registrar). 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) discharging and making final payment of the Refunded Obligations, and City's System 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 1207, as amended, Texas Government Code, the City's Home Rule Charter, and the Ordinance.

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 August 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 has been 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 forty-five (45) 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 Previously Issued Bonds, 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 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, a copy of which is 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 the laws of

the State of Texas and the Ordinance, 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.

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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 §
THE STATE OF TEXAS § REGISTER NO. _____
 §

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: _____

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:

<u>Years of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amounts (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
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(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 February 11, 2020) 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, 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 August 15, 2020.

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 _____ (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 FORM]

(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 insurer.

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 Previously Issued Bonds, 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, Director of Finance, 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 Refunding Bonds, Series 2020", dated January 1, 2020, authorized by this Ordinance.

(f) The term *Bonds Similarly Secured* shall mean the Bonds, the Previously Issued Bonds, 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 *Holder*s 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 August 15, 2020, 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 December 16, 2019.

(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 *Previously Issued Bonds* shall mean the outstanding and unpaid (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 and (2) City of Fredericksburg, Texas Utility System Revenue Bonds, Series 2013, dated August 1, 2013, and originally issued in the principal amount of \$6,500,000.

(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), 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 2018 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 Previously Issued Bonds, 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 any 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, 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, or Federal Housing Association; 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 Director of Finance 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 Director of Finance 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 Director of Finance 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 Director of Finance'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 Negotiated Sale – Authorization of Execution of Purchase and Investment Letter – Bond Proceeds. The Bonds authorized by this Ordinance are hereby sold by the City to _____ (the *Purchasers*) against payment of the aggregate principal amount of \$ _____, and no accrued interest. The Initial Bond shall be registered in the name of _____. Delivery of the Bonds shall be made to the Purchasers as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of sale established in a Purchase and Investment Letter dated December 16, 2019 (the *Purchase Contract*), attached hereto as Exhibit B and incorporated herein by reference as a part of this Order for all purposes. 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. Each Authorized Official is hereby authorized and directed to execute the Purchase Contract 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 Purchase Contract, the City Council hereby finds, determines, and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract 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 the Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

SECTION 32: Escrow Deposit Letter Approval and Execution. The Escrow Agreement dated as of December 16, 2019 (the *Agreement*) by and between the City and _____, as escrow agent (the *Escrow Agent*), attached hereto as Exhibit C and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and such Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is hereby authorized to be executed by any Authorized Official for and on behalf of the City and as the act and deed of the City Council; and such Agreement as executed by said officials shall be deemed approved by the City Council and constitute the Agreement herein approved.

Furthermore, any Authorized Official, any one or more of said officials, and Bond Counsel in cooperation with the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the purchase of the Escrowed Securities, if any, referenced in the Agreement and the delivery thereof to the Escrow Agent on the day of delivery of the Bonds to the Purchasers for deposit to the credit of the "CITY OF FREDERICKSBURG, TEXAS UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020 ESCROW FUND" (the *Escrow Fund*), including the execution of the subscription forms, if any, for the purchase and issuance of the "United States Treasury Securities - State and Local Government Series" for deposit to the Escrow Fund; all as contemplated and provided by the provisions of the Act, this Ordinance, and the Agreement.

SECTION 33: Proceeds of Sale – Contribution from the City. Immediately following the delivery of the Bonds, certain proceeds of the sale along with a cash contribution, if any, from the City (less certain costs of issuance, and accrued interest received from the Purchasers of the Bonds) shall be deposited with the Escrow Agent for application and disbursement in accordance with the provisions of the Agreement. The proceeds of sale of the Bonds not so deposited with the Escrow Agent for the refunding of the Refunded Obligations shall be disbursed for payment of costs of issuance or deposited in the Bond Fund for the Bonds, all in accordance with written instructions from any Authorized Official. Amounts held in the interest and sinking fund(s) of the Refunded Obligations and not used as part of the City's contribution to the Escrow Fund, if any, shall be deposited into the Bond Fund and used to pay principal on the Bonds.

Additionally, on or immediately prior to the date of the initial delivery of the Bonds to the Purchasers, an Authorized Official shall cause to be transferred any necessary funds in immediately available funds to the Escrow Agent from money on deposit in the interest and sinking fund(s) maintained for the payment of the Refunded Obligations certain fund(s) to accomplish the refunding of the Refunded Obligations.

SECTION 34: Redemption of Refunded Obligations. The Refunded Obligations referenced in the preamble hereof become subject to redemption prior to their stated maturities at the price of par and accrued interest to the date of redemption. The City shall give written notice to the paying agent that the Refunded Obligations have been called for redemption, and the City Council orders that such obligations are called for redemption on the redemption date set forth on Schedule I attached hereto, and such order to redeem the Refunded Obligations on such date

shall be irrevocable upon the delivery of the Bonds. A copy of the notice of redemption pertaining to the Refunded Obligations is attached to this Ordinance as Exhibit D and is incorporated herein by reference for all purposes. The paying agent is authorized and instructed to provide notice of this redemption to the holders of the Refunded Obligations in the form and manner described in the order authorizing the issuance of the Refunded Obligations.

SECTION 35: 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 or refinanced 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 as would 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 as would 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 as would not cause the Bonds to become “arbitrage bonds” within the meaning of section 148 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) Current Refunding of the Refunded Obligations. The Bonds are issued to refund the Refunded Obligations, and the Bonds will be issued, and the proceeds thereof used, within 90 days after the Closing Date for the payment of such Refunded Obligations at prior redemption. In the issuance of the Bonds, the City has employed no "device" to obtain a material financial advantage (based on arbitrage), within the meaning of section 149(d)(4) of the Code, apart from savings attributable to lower interest rates. The City has complied with the covenants, representations, and warranties contained in the documents executed in connection with the issuance of the Refunded Obligations.

(l) 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.

(m) Qualified Tax-Exempt Obligations. The District hereby designates the Obligations as *qualified tax-exempt obligations* for purposes of section 265(b) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) during the calendar year in which the Obligations are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Obligations, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) the City reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year 2020 by the City (including any subordinate entities) will not exceed

\$10,000,000; and (c) the City will take such action or refrain from such action as is necessary in order that the Obligations will not be considered “private activity bonds” within the meaning of section 141 of the Code.

SECTION 36: 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 37: 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 38: 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 39: 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 40: 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 41: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 42: 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 43: 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 44: 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 45: 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 46: 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 47: 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 48: 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 49: 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 50: Continuing Disclosure of Information.

A. Definitions.

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

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

SEC means the United States Securities and Exchange Commission.

The Bonds are being sold pursuant to a private placement with the Purchasers, generally in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof, to less than thirty-five sophisticated investors, and therefore the Rule is not applicable to the offering of the Bonds. Accordingly, no contract to provide continuing disclosure information after the issuance of the Bonds has been made by the City with investors.

SECTION 51: Book-Entry Only System.

The Bonds may 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 E (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 52: Accounting Reports. The Issuer shall provide annually to the Purchasers for so long as the Purchasers remain a holder of the Obligations, within 210 days after the end of each fiscal year ending in or after 2019, financial information and operating data with respect to the Issuer; provided that such financial statements so to be provided shall be (1) prepared in accordance with the generally accepted accounting principles, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to Texas law or regulations, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide (1) unaudited financial statements for the applicable fiscal year within 180 days after the end of such fiscal year, and (2) audited financial statements for the applicable fiscal year to the Purchasers when and if the audit report on such statements become available.

SECTION 53: 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 54: 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 55: 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, and the Purchase Contract. 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, (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 56: 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 57: 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.

PASSED AND ADOPTED on the 16th day of December, 2019.

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

Schedule I	Table of Refunded Obligations
Schedule II	Approval Certificate
Exhibit A	Paying Agent/Registrar Agreement
Exhibit B	Purchase and Investment Letter
Exhibit C	Form of Escrow Agreement
Exhibit D	Notice of Redemption
Exhibit E	DTC Letter of Representations

SCHEDULE I

REFUNDED OBLIGATIONS

“City of Fredericksburg, Texas, Texas Utility System Revenue Bonds, Series 2013”, dated August 1, 2013, in the original principal amount of \$6,500,000, maturing on February 15 in each of the years 2021 through 2033 in the aggregate principal amount of \$5,040,000. The redemption date for these Refunded Obligations is _____, 2020.

SCHEDULE II
APPROVAL CERTIFICATE

SEE TAB NO. __

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. ____

EXHIBIT B

PURCHASE AND INVESTMENT LETTER

SEE TAB NO. ____

EXHIBIT C
FORM OF ESCROW AGREEMENT
SEE TAB NO. ____

EXHIBIT D

NOTICE OF REDEMPTION

SEE TAB NO. ____

EXHIBIT E

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. ____

Future Agenda Items

City Council

January 6, 2020 Regular Meeting

City Council = Red

6th and 21st Regular Meetings @ 6p.m.

Planning & Zoning = Green

Historic Review Board = Purple

Board of Adjustment = Blue

City Events = Yellow

January 15th -1st day to file as a candidate for office

January 20th MLK Holiday

Sun	Mon	Tues	Wed	Thur	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Recognitions:

Consent

1. 12-16-19 City Council Regular Meeting Minutes

Ordinances

1. Approve Ordinance for the Live Oak annexation(1st reading),
2. Approve the W. Live Oak Land Use Plan
3. Approve the W. Live Oak Zoning
4. C 1.5 Zoning Clean Up (2nd reading)

Resolutions:

Public Hearing

1. Stone Ridge Unit 10 Annexation
2. PACE program

Approvals-Misc.

1. Approve 2nd Amendment to the Agreement with Boot Ranch
2. Approve the Lift Station Easement from Boot Ranch to the City
3. Approve 2nd Amendments to the Reclaim Water Agreement with Boot Ranch
4. Award bid for Consultant Services, HOT collections, STR permitting, & Sales Tax Discovery and Recovery Services
5. Award of the finance bid for the new Electric Services building
6. Award a bid for Marktplatz

Presentations, Discussions and Updates:

Executive Session

1. City Manager and City Attorney Evaluations
2. Seven Hills
3. Boot Ranch

January 21, 2020 Regular Meeting

City Council = Red

2nd and 16th Regular Meetings @ 6p.m.

Planning & Zoning = Green

Historic Review Board = Purple

Board of Adjustment = Blue

City Events = Yellow

January 15th -1st day to file as a candidate for office

January 20th MLK Holiday

Recognitions:

Consent

1. 1-6-20 City Council Regular Meeting Minutes

Ordinances

1. Approve Ordinance for the Live Oak annexation(2nd reading),
2. Calling the May 2, 2020 General Election
3. Refunding Bonds
4. Bond Notes to fund Electric System Project

Resolutions:

Public Hearing

1. Stone Ridge Unit 10 Annexation

Approvals-Misc.

1. Approve finance for Electric Services Building

Presentations, Discussions and Updates:

1. City Attorney presentation on Civil Enforcement on Code Violations
2. Update on Stormwater/Vegetation Management Program
3. Presentation on HOT Fund applications

Executive Session