

**AGENDA FOR REGULAR MEETING**

**KERRVILLE CITY COUNCIL**

**TUESDAY, OCTOBER 22, 2013, 6:00 P.M.**

**KERRVILLE CITY HALL COUNCIL CHAMBERS**

**701 MAIN STREET, KERRVILLE, TEXAS**

**KERRVILLE CITY COUNCIL AGENDA**  
**REGULAR MEETING, TUESDAY, OCTOBER 22, 2013, 6:00 P.M.**  
**CITY HALL COUNCIL CHAMBERS**  
**701 MAIN STREET, KERRVILLE, TEXAS**

**CALL TO ORDER**

**INVOCATION** offered by Bob Allen, First United Methodist Church.

**PLEDGE OF ALLEGIANCE TO THE FLAG:** led by Willie Askey, Army World War II Veteran, and member of the association of the American Veterans.

Those in attendance may stand if they wish.

**1. VISITORS/CITIZENS FORUM:**

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must fill out the speaker request form and give it to the City Secretary. City Council may not discuss or take any action on an item but may place the issue on a future agenda. The number of speakers will be limited to the first ten speakers and each speaker is limited to four minutes.

**2. RECOGNITIONS:**

2A. Proclamation designating Friends of the Library Week October 20-26, 2013.  
(Mayor Pratt)

2B. Resolution of Commendation to Glenn Clark Andrew for serving on the zoning board of adjustment.

2C. Proclamation recognizing Clarabelle Snodgrass on the occasion of her 100<sup>th</sup> birthday. (Mayor Pratt)

**3. CONSENT AGENDA:**

These items are considered routine and can be approved in one motion unless a city councilmember asks for separate consideration of an item. It is recommended that City Council approve the following items which will grant the Mayor or City Manager the authority to take all actions necessary for each approval:

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The facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this event. Please contact the City Secretary's Office at 830-258-1117 for further information.

I do hereby certify that this notice of meeting was posted on the bulletin board at the city hall of the city of Kerrville, Texas, and said notice was posted on the following date and time, October 18, 2013 at 3:00 p.m. and remained posted continuously for at least 72 hours preceding the scheduled time of the meeting.

Cheryl Brown  
Deputy City Secretary, City of Kerrville, Texas

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3A. Minutes of the city council special meetings held October 3, 2013 at 8:00 a.m. and 10:00 a.m.; special meetings held October 8, 2013, at 2:00 p.m. and 5:30 p.m.; and the regular meeting held October 8, 2013 at 6:00 p.m. (staff)

3B. Authorization to submit grant application to the Hal & Charlie Peterson Foundation in the amount of \$400,000 for Phase III of the Butt-Holdsworth Memorial Library Campus renovation project. (staff)

3C. Authorization to submit funding application in the amount of \$400,000 to the City of Kerrville, Texas Economic Improvement Corporation for Phase III of the Butt-Holdsworth Memorial Library Campus renovation project. (staff)

3D. Resolution No. 39-2013 cancelling the regular meeting of the city council scheduled for November 26, 2013. (staff)

**END OF CONSENT AGENDA**

**4. ORDINANCE, SECOND AND FINAL READING:**

4A. Ordinance No. 2013-20, approving a negotiated resolution between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the company's 2013 annual rate review mechanism filing in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement and finding the rates to be set by the attached tariffs to be just and reasonable; requiring the company to reimburse cities' reasonable ratemaking expenses; repealing conflicting resolutions or ordinances; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; providing a most favored nations clause; and requiring deliver of this ordinance to the company and the steering committee's legal counsel. (staff)

**5. ORDINANCES, FIRST AND ONLY READING:**

5A. Ordinance No. 2013-21 by the City Council of the City of Kerrville, Texas authorizing the issuance of "City of Kerrville, Texas Utility System Revenue Bonds, Series 2013"; 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 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

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Deputy City Secretary, City of Kerrville, Texas

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the execution of a paying agent/registrar agreement and a purchase and investment letter; complying with the requirements of the letter of representations previously executed with the depository trust company; and providing for an effective date. (staff)

**6. CONSIDERATION AND POSSIBLE ACTION:**

6A. Request by the Military Order of the Purple Heart to waive all fees for the Veterans Day Parade. (Byron Warren)

6B. Charter of the City of Kerrville, Texas and Proposed Amendments, if any. (staff)

**7. INFORMATION AND DISCUSSION:**

7A. Kerrville Economic Development Corporation work program update. (Jonas Titas)

7B. Kerrville Triathlon post event report. (staff)

7C. Budget and economic update. (staff)

**8. BOARD APPOINTMENTS:**

8A. Appointments to the zoning board of adjustment. (staff)

**9. ITEMS FOR FUTURE AGENDAS**

**9. ANNOUNCEMENTS OF COMMUNITY INTEREST:**

Announcement of items of community interest, including expressions of thanks, congratulations, or condolences; information regarding holiday schedules; honorary recognitions of City officials, employees, or other citizens; reminders about upcoming events sponsored by the City or other entity that is scheduled to be attended by City officials or employees; and announcements involving imminent threats to the public health and safety of the City. No action will be taken.

**10. EXECUTIVE SESSION:**

City Council may, as permitted by law, adjourn into executive session at any time to discuss any matter listed above including if they meet the qualifications in Sections 551.071 (consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic

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development negotiations) of Chapter 551 of the Texas Government Code, including the following matters:

Section 551.074:

Appointments to the zoning board of adjustment.

Sections 551.071 and 551.072:

Discuss the purchase, exchange, lease, sale, or value of real property, the public discussion of which would not be in the best interests of the City's bargaining position with third parties, regarding property interests related to the following projects:

- Jefferson lift station
- River Trail.

Section 551.074:

- Annual review of city attorney.

**11. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION**

**12. ADJOURNMENT.**

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Cheryl Brown  
Deputy City Secretary, City of Kerrville, Texas

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## **Agenda Item:**

2A. Proclamation designating Friends of the Library Week October 20-26, 2013.  
(Mayor Pratt)





## City of Kerrville

701 MAIN STREET • KERRVILLE, TEXAS 78028 • 830.257.8000 • KERRVILLETX.GOV

### PROCLAMATION

- WHEREAS,** The Friends of the Butt-Holdsworth Memorial Library raise money that enables the library to move from good to great – providing the resources for additional programming, much needed equipment, support for children’s summer reading, special events throughout the year; and
- WHEREAS,** The work of the Friends highlights on an on-going basis the fact that the library is the cornerstone of the community providing opportunities for all to engage in the joy of life-long learning and connect with the thoughts and ideas of others from ages past to the present; and
- WHEREAS,** The Friends understand the critical importance of well-funded libraries and advocate to ensure that the library gets the resources it needs to provide a wide variety of services to all ages including access to print and electronic materials, along with expert assistance in research, readers’ advisory, and children’s services; and
- WHEREAS,** The Friends’ gift of their time and commitment to the library sets an example for all in how volunteerism leads to positive civic engagement and the betterment of our community,

**NOW, THEREFORE,** I, Jack Pratt, Mayor of the City of Kerrville, Texas, do hereby proclaim October 20-26, 2013 as

### “FRIENDS OF THE LIBRARY WEEK”

and call upon the residents of the City of Kerrville and Kerr County, Texas to join the Friends of the Library and thank them for all they do to make our library and community so much better.



**IN WITNESS WHEREOF,** I have hereunto set my hand and caused the Seal of the City of Kerrville to be affixed hereto, the \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

## **Agenda Item:**

2B. Resolution of Commendation to Glenn Clark Andrew for serving on the zoning board of adjustment.



**City of Kerrville**

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**RESOLUTION OF COMMENDATION**

**WHEREAS, GLENN CLARK ANDREW** had served as a member of the Zoning Board of Adjustment with the date of service beginning October 9, 2007; and

**WHEREAS, GLENN CLARK ANDREW** had served faithfully and dutifully on said board;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

That **GLENN CLARK ANDREW** be recognized for outstanding service as a member of the Zoning Board of Adjustment, and that on behalf of the citizens of Kerrville, as well as for ourselves individually, we wish to express our sincere appreciation for contributions to the city and the community.

PASSED AND APPROVED, this the 22<sup>nd</sup> day of October, 2013.

ATTEST:

Brenda G. Craig  
Brenda G. Craig, City Secretary



Jack Pratt, Jr.  
Jack Pratt, Jr., Mayor

Stacie Keeble  
Stacie Keeble, Mayor Pro Tem

Carson Conklin  
Carson Conklin, Councilmember

Gene Allen  
Gene Allen, Councilmember

T. Justin MacDonald  
T. Justin MacDonald, Councilmember

## **Agenda Item:**

2C. Proclamation recognizing Clarabelle Snodgrass on the occasion of her 100<sup>th</sup> birthday. (Mayor Pratt)



## City of Kerrville

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# RECOGNITION

- WHEREAS,** Clarabelle Barton Snodgrass was born October 13, 1913 in a home located on Water Street in Kerrville, Texas in the vicinity of the location of the present playground of Notre Dame Catholic Church, and;
- WHEREAS,** Her formative years are indelibly etched in her excellent memory of life on the farm of her parents, Henry and Adelia Barton, in the Turtle Creek community where she attended Turtle Creek's one-room school that her parents had also attended, and which her grandfather was instrumental in establishing, and;
- WHEREAS,** Clarabelle graduated from Tivy High School in 1930, and is now the oldest living Tivy graduate, and looks forward to celebrating that distinction when she will ride in the Homecoming Parade on October 24, and;
- WHEREAS,** In 1933 she married Ross Snodgrass and moved to their ranch on the Divide west of Mountain Home, her ties to Kerrville were closely maintained however, due to their children attending Kerrville schools, and;
- WHEREAS,** Her interest and passion for preserving history has been instrumental in the preservation of historic sites and buildings, including Union Church, and the Captain Joseph A. Tivy Building now the Kerrville Independent School District Administration Office, and;
- WHEREAS,** In 1984 she received the Texas Historical Commission Award for the Tivy Restoration Project, and has spent the better part of her life lending her support, energy and love of history to enrich the quality of life in Kerrville,
- NOW THEREFORE, I,** Jack Pratt, Mayor of the City of Kerrville, Texas do hereby join family and friends in honoring a most remarkable woman and historian on the occasion of her 100<sup>th</sup> birthday

## CLARABELLE SNODGRASS

**IN WITNESS WHEREOF,** I have hereunto set my hand and caused the Seal of the City of Kerrville to be affixed hereto, the \_\_\_\_\_ day of \_\_\_\_\_ 2013.

\_\_\_\_\_  
Jack Pratt, Jr., Mayor



## **Agenda Item:**

3A. Minutes of the city council special meetings held October 3, 2013 at 8:00 a.m. and 10:00 a.m.; special meetings held October 8, 2013, at 2:00 p.m. and 5:30 p.m.; and the regular meeting held October 8, 2013 at 6:00 p.m. (staff)

COUNCIL MINUTES  
SPECIAL MEETING

KERRVILLE, TEXAS  
OCTOBER 3, 2013

On October 3, 2013, the Kerrville City Council special meeting was called to order by Mayor Pratt at 8:01 a.m. in the city hall conference room, 701 Main Street.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Stacie Keeble	Mayor Pro Tem
Gene Allen	Councilmember (arrived at 8:59 a.m.)
Justin MacDonald	Councilmember

COUNCILMEMBER ABSENT:

Carson Conklin	Councilmember
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CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Kim Meisner	Director of General Operations
Charlie Hastings	Director of Public Works
Ashlea Boyle	Main Street/Special Projects Manager
Dieter Werner	City Engineer
Stuart Barron	Director of Municipal Utilities
Amy Dozier	Assistant Director of Finance

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

**Presentation by Freese and Nichols Engineering Consultants Regarding Water Treatment Plant Condition Assessment and Water Distribution System**

Scott Cole, Principal, Water and Wastewater Engineering of Freese and Nichols, presented an overview of the city's existing water system. He noted that the city's water treatment and distribution system was complicated due to 13 pressure planes, which was necessary because of topography.

Mr. Parton noted that the Methodist Encampment well was being reconstructed as an ASR (aquifer storage and recovery) well and staff was in the process of amending the permit.

Gary Smith, Project Manager, Freese and Nichols, gave an overview of the water treatment plant. FNI performed a site condition assessment of the water treatment plant on May 17 and prepared a condition, criticality and risk assessment report on the components of the plant. The main concern was the

clarifier facility, as most of that equipment was original to the plant and put into service 34 years ago; some equipment was obsolete and it was difficult to find parts.

FNI also evaluated the components of the plant to determine component capacities and regulatory compliance. He recommended the following main projects for the water treatment plant: 1) rehabilitate conventional plant clarifier; 2) new clearwell; 3) replace high-service pumps; 4) replace filter backwash blower; 5) replace Supernatant recycle pump; 6) replace raw water pumps; and 7) rehabilitate plant components.

**ADJOURNMENT:** The meeting adjourned at 9:26 a.m.

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

MINUTES OF THE KERRVILLE CITY COUNCIL AND  
CITY OF KERRVILLE, TEXAS ECONOMIC IMPROVEMENT CORPORATION  
JOINT MEETING OCTOBER 3, 2013

On October 3, 2013, a joint meeting of the Kerrville City Council and the Economic Improvement Corporation was called to order by Mayor Pratt and EIC Chairman Wampler at 10:06 a.m. in the city hall council chambers, 800 Junction Highway.

COUNCIL MEMBERS PRESENT:

Jack Pratt	Mayor
Stacie Keeble	Councilmember
Justin MacDonald	Councilmember
Gene Allen	Councilmember

COUNCIL MEMBER ABSENT:

Carson Conklin	Mayor Pro Tem
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EIC MEMBERS PRESENT:

David Wampler	President
Kenneth Early	Vice-President
Rex Boyland	Secretary
Larry Howard	Board Member
Stacie Keeble	Board Member

EIC MEMBER ABSENT:

Gary Cochrane	Board Member
Polly Rickert	Board Member

STAFF PRESENT:

Todd Parton	City Manager
Kristine Ondrias	Assistant City Manager
Heather Stebbins	Assistant City Attorney
Brenda G. Craig	City Secretary
Cheryl Brown	Deputy City Secretary
Kim Meismer	Director of General Operations
Malcolm Matthews	Director of Parks and Recreation
Ashlea Boyle	Main Street/Special Projects Manager
Charlie Hastings	Director of Public Works
Dieter Werner	City Engineer

**UPDATE ON THE LOUISE HAYS PARK, LEHMANN AND MONROE PARK,  
AND RIVER TRAIL IMPROVEMENTS**

Mr. Parton provided copies of the river trail project and the Louise Hays Park and Lehmann and Monroe Park improvements as presented at the August 27 council meeting, and noted that council had requested the following changes to the Louise Hays Park concept plan:

1. Paved area under the bridge near the river for boat docking and ramp access.
2. Additional parking near the river for handicapped accessibility to Tranquility Island.

Staff noted that all buildings were located out of the floodplain, and screening would be provided, possibly a solid wall, between Louise Hays Park and Park Lane Apartments.

**DISCUSSION AND DIRECTION TO CITY STAFF REGARDING ALIGNMENT OPTIONS FOR THE RIVER TRAIL PROJECT WEST OF THE RIVERSIDE NATURE CENTER**

Mr. Parton reviewed the profile and very rough estimates for four trail alignment options for that section of the river trail between Riverside Nature Center and Knapp Park:

1. North river bank, \$2,100,000: north side of the river along the river's edge to Guadalupe Park. Crossing at Town Creek; property primarily residential; condemnation expected.
2. Guadalupe Street, \$1,800,000: use existing city sidewalks and street right of way. Crossing at Town Creek using existing street and drainage right of way to access Guadalupe Street; paved bike lane; no condemnation; least costly option. Impact to neighborhood included moving curbs, limited driveway access, no on-street parking or mailboxes; would affect about 12 residential property owners.
3. South river bank with a bridge crossing from Tranquility Island under Lemos Street Bridge and a low bridge crossing behind Dietert Center, \$2,800,000: two river crossings, extensive construction issues, safety and security, emergency accessibility issues related to this being a remote area, no location for a trail head, and possibility of condemnation.
4. South river bank with high bridge crossing near Guadalupe Park, \$3,150,000: same issues exist as in option 3; cost of high bridge and geotechnical unknown.

Also, floodway issues existed with options 1, 3, and 4.

Ms. Ondrias noted the following: 1) the rough estimates for all options did not include the cost of potential condemnation; 2) the uncertainty of property ownership of some tracts on Guadalupe Street could cause difficulty in the condemnation process; and 3) cautioned that figures for the high bridge were conceptual only and until geotechnical issues were completed and the bridge was designed cost estimates were uncertain.

The following comments and discussion were held:

- Concern of public perception as it was presented to citizens as \$6 million for 6 miles project; concern for staying within that budget commitment.
- The city guaranteed to undertake water/wastewater projects to facilitate economic development; in turn, the EIC committed to back the bonds to fund six miles of trail from Kerrville Schreiner Park to Knapp Park.
- If the city followed the original alignment along the riverbank on Guadalupe Street, as approved by EIC, funds were sufficient to complete the six miles.
- Option 2 of using existing city property and right of ways would achieve the full length of the trail for the lowest cost.
- EIC had no desire to shorten the trail; preference was to run the trail on the south side and if more money was needed, EIC would provide that funding.
- Council did not want to do condemnation on single family residential properties if it could be avoided.

- If council wanted to bypass condemnation and street frontage issues on Guadalupe Street, EIC would provide additional funds to put the trail on the south side of the river.
- Sidewalks were already located on both sides of Guadalupe Street and pedestrian traffic already existed. Mr. Parton noted the river trail would bring more people and vehicular traffic into the neighborhood.
- It was not a river trail if it was moved to the street; however, the trail would leave the river's edge and go along Guadalupe Street from Guadalupe Park to the Family Sports Center.
- Option 4 would create a loop to connect Guadalupe Street to Tranquility Island and the south side of the river and avoid the issue of condemnation of residential property.
- Had staff had any communication with property owners on the south side? Mr. Parton responded no; Mr. MacDonald noted that one property owner contacted him and wanted the trail on his property.
- What was the risk of the high bridge being destroyed during a flood? Mr. Parton noted an elevated bridge was less likely to be damaged during a flood and maintenance would be less as it would not collect flood debris.
- Possibility of using Lemos Street Bridge for access to the south side. Mr. Parton noted he would contact TxDOT for feasibility; the estimate included \$350,000 for a low bridge crossing; the high bridge was more costly due to height and span.
- Regardless of the option selected, a crossing was desired behind Riverside Nature Center to connect the Guadalupe Street area to the trail and park.
- EIC funding a downtown boardwalk and connecting to Louise Hays Park. Mr. Parton noted that the bond funds were sold for a river trail project; however, funding could be repurposed to a different project, and the boardwalk qualified under state law for 4B funding; however, the funding agreement between the city and EIC would have to be amended. EIC did not want to redirect funds from the river trail to a downtown boardwalk, but EIC would be in favor of funding the boardwalk as a separate project after the river trail was complete.

The consensus was to instruct staff to further investigate option 4 and bring it back to EIC, including: contact landowners, prepare options for expansion of project amenities, create cost estimates, develop a plan for emergency access, and include the cost of police patrol and any safety issues.

4. **ADJOURNMENT**: The meeting adjourned at 11:34 a.m.

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
Jack Pratt, Mayor

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
David A. Wampler, EIC President

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

CITY COUNCIL MINUTES  
SPECIAL MEETING

KERRVILLE, TEXAS  
OCTOBER 8, 2013

On October 8, 2013, the Kerrville City Council special meeting was called to order by Mayor Pratt at 2:00 p.m. in the city hall upstairs conference room, 701 Main Street.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Carson Conklin	Mayor Pro Tem
Stacie Keeble	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT:

Justin MacDonald	Councilmember
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KERR COUNTY COMMISSIONERS' COURT PRESENT:

Tom Moser	Precinct
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CITY EXECUTIVE STAFF PRESENT:

Mike Hayes	City Attorney
Brenda G. Craig	City Secretary
Robert Ojeda	Fire Chief
John Young	Police Chief
Kim Meismer	Director of General Operations
Sandra Yarbrough	Director of Finance
Ashlea Boyle	Main Street/Special Projects Manager
Dieter Werner	City Engineer
Amy Dozier	Assistant Director of Finance
Mark Beavers	Assistant Fire Chief
Eric Maloney	EMS Coordinator

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

**ELECTED OFFICIALS WORKSHOP FOR EMERGENCY MANAGEMENT**

Summer Ray, District Coordinator-6C of the San Antonio Office of the Texas Department of Emergency Management, conducted the workshop. Her main point was to have a plan in place before an emergency happens, and to routinely conduct training on that plan. She noted that in an emergency, if the local government wanted assistance from the state or federal government, then the local officers must formally give authority to the state or federal government.

Cr. Moser noted the majority of the emergency incidents in Kerr County were fires and floods; he suggested more training across the county. Chief Ojeda said he would pass this on to the volunteer fire departments and the city would assist

as appropriate. Ms. Ray noted the Forest Service had some training programs available.

**ADJOURNMENT:** The meeting adjourned at 3:16 p.m.

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

CITY COUNCIL MINUTES  
SPECIAL MEETING

KERRVILLE, TEXAS  
OCTOBER 8, 2013

On October 8, 2013, the Kerrville City Council special meeting was called to order by Mayor Pratt at 5:30 p.m. in the city hall upstairs conference room, 701 Main Street.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Carson Conklin	Mayor Pro Tem
Stacie Keeble	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT:

Justin MacDonald	Councilmember
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CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Dieter Werner	City Engineer
Charlie Hastings	Director of Public Works
Stuart Barron	Assistant Director of Public Works

EXECUTIVE SESSION:

Mr. Allen moved for the city council to go into executive closed session under Section 551.071 of the Texas Government Code; the motion was seconded by Mr. Conklin and passed 4-0 to discuss the following matter:

Pursuant to Section 551.071:

City of Kerrville, Texas v. C&C Groundwater Services, LLC and Old Republic Insurance Company; In the 216<sup>th</sup> Judicial District Court of Kerr County, Texas; Cause No. 12276A.

At 5:32 p.m. the regular meeting recessed and council went into executive closed session at 5:33 p.m. The executive closed session recessed and council returned to open session at 5:50 p.m. The mayor announced that no action had been taken in executive session.

ADJOURNMENT: The meeting adjourned at 5:50 p.m.

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

CITY COUNCIL MINUTES  
REGULAR MEETING

KERRVILLE, TEXAS  
OCTOBER 8, 2013

On October 8, 2013, the Kerrville City Council meeting was called to order at 6:00 p.m. by Mayor Pratt in the city hall council chambers at 701 Main Street. The invocation was offered by Pastor Noah F. Diggs, with the Mt. Olive Baptist Church, followed by the Pledge of Allegiance led by Cameron Richter, Cadet Tech Sergeant Tivy High School Air Force Junior Reserve Officer Training Corps.

COUNCILMEMBERS PRESENT:

Jack Pratt	Mayor
Carson Conklin	Mayor Pro Tem
Stacie Keeble	Councilmember
Gene Allen	Councilmember

COUNCILMEMBER ABSENT:

Justin MacDonald	Councilmember
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CITY EXECUTIVE STAFF PRESENT:

Todd Parton	City Manager
Mike Hayes	City Attorney
Kristine Ondrias	Assistant City Manager
Brenda G. Craig	City Secretary
Sandra Yarbrough	Director of Finance
Robert Ojeda	Fire Chief
Heather Stebbins	Assistant City Attorney
Ashlea Boyle	Special Projects Coordinator

VISITORS PRESENT: List on file in city secretary's office for the required retention period.

**1. VISITORS/CITIZENS FORUM:**

**2. CONSENT AGENDA:**

Mr. Conklin moved for approval of agenda items 2A through 2H; Mr. Allen seconded the motion and it passed 4-0:

2A. Minutes of the city council regular meeting held September 24, 2013.

2B. Resolution No. 40-2013 adopting an ethics policy for elected and appointed officials – City of Kerrville, Texas; providing a purpose, goals, standards of conduct, implementation, compliance and enforcement; and a statement of commitment.

2C. Resolution No. 41-2013 authorizing the closure of a portion of Memorial Highway (Hwy 27) during certain hours and dates from 2013-17 for the Kerrville Main Street annual holiday lighted parade and authorizing the mayor to execute an agreement for the temporary closure of state right-of-way with the Texas Department of Transportation.

2D. Resolution No. 38-2013 authorizing the waiver for Baptist Child and Family Services of permitting fees associated with the construction of their transition center for youth; said waiver to remain in effect through October 8, 2014.

2E. Resolution No. 37-2013 authorizing the waiver for Hill Country Home Opportunity Council, Inc. of various fees associated with the construction of homes; said waiver to remain in effect through September 30, 2014, or the construction of ten homes, whichever occurs first.

2F. Resolution No. 36-2013 authorizing the waiver for Habitat for Humanity Kerr County Affiliate, Inc. of various fees associated with the construction of homes; said waiver to remain in effect through September 30, 2014, or the construction of nine homes, whichever occurs first.

2G. Purchase of a new Type I ambulance from Dallas Dodge Chrysler Jeep at a price not to exceed \$156,800.

2H. Purchase of four new vehicles for the police department at a price not to exceed \$127,636.

### **END CONSENT AGENDA**

### **3. ORDINANCE, SECOND AND FINAL READING:**

3A. Ordinance No. 2013-19 amending various sections of the Code of Ordinances of the City of Kerrville, Texas, to delete and remove fees for various services and amenities provided or offered by the City as said fees are established by the city's fee schedule, which is adopted by resolution of the City Council; containing a savings and severability clause; providing for an effective date; and providing other matters relating to the subject. Mayor Pratt read the ordinance by title only.

Mr. Hayes noted the proposed ordinance would delete fees from the Code of Ordinances as fees were approved by city council annually in the fee schedule. He recommended approval of the ordinance.

Mrs. Keeble moved for approval of Ordinance No. 2013-19 on second and final reading; Mr. Conklin seconded the motion and it passed 4-0.

### **4. ORDINANCES, FIRST READING:**

4A. Ordinance No. 2013-20, approving a negotiated resolution between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the company's 2013 annual rate review mechanism filing in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement and finding the rates to be set by the attached tariffs to be just and reasonable; requiring the company to reimburse cities' reasonable ratemaking expenses; repealing conflicting resolutions or ordinances; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; providing a most favored nations clause; and requiring deliver of this ordinance to the company and the steering committee's legal counsel. Mayor Pratt read the ordinance by title only.

Mr. Hayes noted the council had jurisdiction over local gas rates and the city was a member of Atmos Cities Steering Committee. Atmos filed a rate increase request for \$22.7 million system wide. ACSC's legal counsel reviewed the filing and recommended a \$16.6 million rate increase; the average residential customer's bill would increase \$0.74 per month. Mr. Hayes recommended approval.

Mr. Conklin moved for approval of Ordinance No. 2013-20, as presented, on first reading; Mr. Allen seconded the motion and it passed 4-0.

**5. CONSIDERATION AND POSSIBLE ACTION:**

**5A. Resolution No. 45-2013 approving/disapproving Kerr Central Appraisal District budget amendment for Fiscal Year 2012.**

Mr. Parton noted that KCAD's year-end audit reported an almost \$25,000 surplus; KCAD requested an amendment to the FY12 budget to allow KCAD to place the surplus in their building renovation and remodeling account. If half or more of the member entities reject the request, the funds would be returned pro rata share to each entity; Kerrville's portion was about \$3,500. He noted that KCAD's option to fund building renovations was to request a budget allocation from each taxing entity on a per capita basis. He recommended approval.

Mr. Allen moved for passage of Resolution No. 45-2013 approving the KCAD budget amendment; Mr. Conklin seconded the motion and it passed 4-0.

**5B. Appeals by the applicant/operator for reasonable accommodations in accordance with the Ordinance No. 2013-06 group home and boarding home facilities at the following addresses:**

Ms. Stebbins noted Ms. Arterburn was appealing staff's decision not to grant her requested accommodations at her two properties. Both properties were in single family residential zones, and the proposed ordinance was established to protect residents of boarding home facilities by addressing life threatening concerns and overcrowding issues and to have informed public safety personnel, and to protect the fundamental nature of the city's zoning. She reviewed the particulars of each facility:

**1. 615 East Lane:**

Appraisal district records stated it had 2,640 sq. ft., plus additional space totaling 2,825 sq. ft., having four sleeping rooms and an attic, which had been used as sleeping rooms in the past; and had 10-15 residents. The ordinance limited the number of residents to eight based on overall square footage and two per sleeping room. Ms. Arterburn requested ten residents and compliance with any accommodations that the city had not granted. After reviewing the request with Ms. Arterburn and her attorney, staff granted accommodation of three in the large room which complied with the 70 sq. ft. per person section, and the request for a single occupancy room for a manager. One sleeping room was attached to the garage, and staff informed her that the garage could not be used as a sleeping room. Ms. Arterburn was given 60 days to comply, which expired September 16.

In summary, Ms. Arterburn was appealing staff's limit of eight residents and requesting ten; and appealing the 60 day requirement to come into compliance until graduation of residents out of home.

2. 1612 First Street:

Appraisal district records reported 2,538 sq. ft., and the application noted additional space totaling 2,925 sq. ft. in five sleeping rooms; the ordinance limited occupancy to eight residents based on overall square footage, and six parking spaces. Ms. Arterburn requested ten residents in the home; off-site parking or rule limiting the number of cars permitted; and compliance over time to reduce the number of residents to meet the city's requirement. Staff granted accommodation of three residents in the larger room which met the 70 sq. ft. per person rule, and the adoption of a house rule limiting the number of cars to four. Staff gave Ms. Arterburn 60 days to comply with all issues noted by staff during the inspection, i.e. fire and safety issues.

Ms. Stebbins noted the ordinance permitted boarding home facilities in all zoning districts in the city. Staff reviewed 25 homes and 23 were permitted or were in the permitting process. No argument had been presented showing that ten residents in each of the subject homes were needed to accommodate a disability related need. The limits of Ms. Arterburn's appeal was that which was stated in her letter.

Thomas Carnes, attorney for Mrs. Arterburn, noted Ms. Arterburn was given 60 days to comply, her appeal had been timely filed, and she was grandfathered and protected while in the appeals process. He discussed three issues:

1. Application rationale that the number of people in a home as recovering addicts versus staff. The goal of group home relationships could not be fulfilled; there was a number under which a group home could not properly function as a group home that holds its residents accountable.
2. As an economic issue, both homes operating required eight paying residents. If either home is denied, it must close, thereby reducing the number of places available to persons with drug and alcohol problems; or not have an in-house resident manager, since they do not pay.
3. The issues cited by Mr. Batts (city's chief building official) regarding the garage at 615 East Lane were corrected. The garage door was sealed to create a sleeping room and was included in their calculation. The city granted part of their request, to have one room at East Lane and 2 rooms on First Street to be free occupant rooms so he opined that they should be allowed to have ten occupants; in fact, there would be unused sleeping rooms in both houses if ten residents were not allowed, and both houses had had more than ten in the past and could accommodate ten now.

Mr. Carnes opined that ten was the minimum number of residents conducive to such an environment. He worked with the city to tailor an ordinance that would be flexible, and there was no flexibility with the maximum number; the square footage number made sense, but keeping the number of residents limited to eight

was arbitrary. This was Ms. Arterburn's last chance to resolve this issue through administrative appeal; the only remaining option was to file for a preliminary injunction.

The following person spoke:

1. Sam Ligon asked council to uphold the ordinance. He lived near the 615 East Lane group home and felt that little regard had been given to property owners' concerns and families living in the area. He did not take the threat of legal challenges lightly, but if pressed he would seek advice of legal counsel, and he encouraged the city council and zoning board to stay committed to the actions to benefit single family residences as protected by established city codes. Several home owners in his single family neighborhood were having to deal with the 615 East Lane property being operated as a profit business, according to code definition. He purchased his home in a single family zone many years ago and that zone had not been altered; however, the city established regulations, conditions, and codes in order to allow this home to operate in a single family residential zone. The ordinance established the number of persons to be accommodated by space, and structural design for fire and safety accommodations for residents, etc. At this home, there were still issues with parking, traffic, and the behavior of residents; increasing the number of residents would compound issues. Homeowners were interested in the basic issue of property values and allowing group homes affects property values. The guidelines under which people purchased their homes have been negated by the actions of a few people running a business under the radar, and now they are asking for special privileges not appropriate in a single family residential zone, such as making a parking lot in their back yard. Single family zoning should not be ignored as homeowners' concerns are reasonable and legitimate.

The following points were also discussed by the city council:

- One option was to increase the rate for residents in order to meet budget. Mr. Carnes stated that the rental rate had already been increased from 4 to 5 and was included in their calculations. There had been some scholarships for residents who did not pay anything in the past, but they could no longer do that. Ms. Arterburn planned to convert the home into a professional adult men's home in the future, but the transition would take months.
- It had been stated adamantly at previous meetings that this was not a business and money was not a concern, and now economics is a concern. Mr. Carnes stated that nobody operating a home was making a profit; they were not in the business to make money, but they needed to break even to stay in business; no charitable source was putting money in. Eight paying residents were necessary to break even; if the request is denied, Ms. Arterburn would not be able to have a manager.

The process of creating the ordinance took several months and many meetings and workshops where council heard concerns of group home owners, residents, and neighbors. The challenge was to protect single family residential properties and to allow group homes to operate in single family residential zones. Many

other group homes had come into compliance and under the maximum of eight. The ordinance reasonably accommodated group homes and mitigated the impact to the neighborhoods in which they were located. Both sides understood the compromise reached. The number is fair.

No special circumstance had been presented and no impact existed that warranted the accommodation of more than eight people per home.

The ordinance addressed the safety and security aspect of the community.

Mr. Conklin moved to deny the appeal at both locations: 615 East Lane, and 1612 First Street. Mr. Allen seconded the motion and it passed 4-0.

**5C. Resolution No. 47-2013 adopting an automatic bill pay program for the city's water/wastewater utility service.**

Ms. Yarbrough noted the proposed resolution would establish an auto pay incentive program that would allow a one-time \$10.00 incentive credit:

- 1) Existing customers who signed up for automatic bank draft or credit card payment of their city utility bill; existing customers had three months to apply.
- 2) A \$10.00 credit would be deducted for new accounts that signed up. The customer was required to maintain the auto pay for twelve months or the \$10.00 credit would be added back to their bill.

The following person spoke:

1. Ruth Spradling questioned how much this program would cost the city, if there would be a charge to customers who used their credit card, and had the city considered email billing to cut costs?

Ms. Yarbrough stated the cost would depend on how many customers signed up for the program, and at this time that was unknown. Regardless of the one-time cost to implement the program, the program would save the city money in the long term in staff time. There was no additional charge for direct bill pay by credit card; many customers already pay by credit card. Customers would continue to receive a bill in ample time to contact the city if they wanted to dispute their bill before it was charged to their account. The city already had email billing in place.

Mr. Allen moved for approval of Resolution No. 47-2013 as presented; Ms. Keeble seconded the motion and it passed 4-0.

**6. ITEMS FOR FUTURE AGENDAS: None.**

**7. INFORMATION AND DISCUSSION:**

- The Kerrville Triathlon was a successful event and a full report will be provided to council.

**8. EXECUTIVE SESSION:**

Mr. Allen moved for the city council to go into executive closed session under Sections 551.071, 551.072, and 551.074 of the Texas Government Code; the

motion was seconded by Mr. Conklin and passed 4-0 to discuss the following matters:

Sections 551.071 and 551.072:

Discuss the purchase, exchange, lease, sale, or value of real property, the public discussion of which would not be in the best interests of the City's bargaining position with third parties, regarding property interests related to the following projects:

- Jefferson lift station
- River Trail.

Section 551.074:

- Annual review of city manager.

At 6:38 p.m. the regular meeting recessed and council went into executive closed session at 6:45 p.m. At 7:31 p.m. the executive closed session recessed and council returned to open session at 7:32 p.m. The mayor announced that no action had been taken in executive session.

**12. ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION:**

**ADJOURNMENT.** The meeting adjourned at 7:32 p.m.

APPROVED: \_\_\_\_\_

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

## **Agenda Item:**

3B. Authorization to submit grant application to the Hal & Charlie Peterson Foundation in the amount of \$400,000 for Phase III of the Butt-Holdsworth Memorial Library Campus renovation project. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

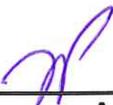
**SUBJECT:** Approval for city staff to submit a grant application to the Hal & Charlie Peterson Foundation for Phase III of the Butt-Holdsworth Memorial Library Campus Renovation Project in the amount of \$400,000

**FOR AGENDA OF:** October 22, 2013      **DATE SUBMITTED:** October 11, 2013

**SUBMITTED BY:** Laura Bechtel      **CLEARANCES:** Kimberly Meismer  
Library Director      Director of General Operations

**EXHIBITS:**

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

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<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	

**PAYMENT TO BE MADE TO:**  
**REVIEWED BY THE FINANCE DEPARTMENT:**

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**SUMMARY STATEMENT**

Phase III of the Butt-Holdsworth Memorial Library Campus Renovation Project includes plans for renovations of the Kerr Regional History Center for approximately \$800,000. In addition to a grant application to the Hal & Charlie Peterson Foundation for \$400,000, staff is seeking funding from the Economic Improvement Corporation (EIC) in the amount of \$400,000.

If awarded, the funding will be used to complete tasks at the History Center which will include:

- Addressing structural issues with the foundation to stabilize the building
- Installing an elevator
- Refinishing the hardwood floors
- Improving first floor finishes
- Repairing walls, windows and ceiling
- Finish out the second floor space for available programming such as meeting space, computers, museum or display space
- Demolition of the Carriage House
- Landscaping of grounds
- Finishing a drive lane for a book drop off

The grant application is due to the Hal & Charlie Peterson Foundation by January 2014

for consideration.

**RECOMMENDED ACTION**

City staff is requesting consideration and approval to submit a grant application to the Hal & Charlie Peterson Foundation for Phase III of the Library Campus Renovation Project – History Center, as presented, in the amount of \$400,000.

## **Agenda Item:**

3C. Authorization to submit funding application in the amount of \$400,000 to the City of Kerrville, Texas Economic Improvement Corporation for Phase III of the Butt-Holdsworth Memorial Library Campus renovation project. (staff)



**RECOMMENDED ACTION**

City staff is requesting consideration and approval to submit an application to the EIC for Phase III of the Library Campus Renovation Project – History Center, as presented, in the amount of \$400,000.

## **Agenda Item:**

3D. Resolution No. 39-2013 cancelling the regular meeting of the city council scheduled for November 26, 2013. (staff)



**CITY OF KERRVILLE, TEXAS  
RESOLUTION NO. 39-2013**

**A RESOLUTION CANCELING THE REGULAR MEETING OF  
THE CITY COUNCIL SCHEDULED FOR NOVEMBER 26,  
2013**

**WHEREAS**, Section 2-31 of the Code of Ordinances for the City of Kerrville provides that City Council meetings are to be held the second and fourth Tuesdays of each month; and

**WHEREAS**, Section 2-31 also provides the City Council may, by majority vote at a regular meeting, change the days or times of meetings as circumstances may necessitate;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

The regular meeting of the City Council scheduled for November 26, 2013, is hereby canceled.

**PASSED AND APPROVED ON this the \_\_\_\_\_ day of \_\_\_\_\_ A.D., 2013.**

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

ATTEST:

\_\_\_\_\_  
Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



\_\_\_\_\_  
Michael C. Hayes, City Attorney

## **Agenda Item:**

4A. Ordinance No. 2013-20, approving a negotiated resolution between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the company's 2013 annual rate review mechanism filing in all cities exercising original jurisdiction; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement and finding the rates to be set by the attached tariffs to be just and reasonable; requiring the company to reimburse cities' reasonable ratemaking expenses; repealing conflicting resolutions or ordinances; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; providing a most favored nations clause; and requiring deliver of this ordinance to the company and the steering committee's legal counsel. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Ordinance approving settlement with Atmos Energy Corporation, Mid-Tex Division regarding 2013 Rate Review Mechanism filing

**FOR AGENDA OF:** Oct. 22, 2013 **DATE SUBMITTED:** Oct. 15, 2013

**SUBMITTED BY:** Mike Hayes *M Hayes* **CLEARANCES:**  
City Attorney

**EXHIBITS:** Ordinance No. 2013-20

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** *M Hayes*

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<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$ 0	\$ 0	\$ 0	NA

**PAYMENT TO BE MADE TO: NA**

**REVIEWED BY THE FINANCE DEPARTMENT:**

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**SUMMARY STATEMENT**

The City, along with approximately 164 other cities served by Atmos Energy Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC"). On or about July 15, 2013, Atmos Mid-Tex filed with the City an application to increase natural gas rates pursuant to the Rate Review Mechanism ("RRM") tariff renewed by the City in 2013 as a continuation and refinement of the previous RRM rate review process. This is the first annual RRM filing under the renewed RRM tariff.

The Atmos Mid-Tex RRM filing sought a \$22.7 million rate increase system-wide based on an alleged test-year cost of service revenue deficiency of \$25.7 million. The City worked with ACSC to analyze the schedules and evidence offered by Atmos Mid-Tex to support its request to increase rates. The Ordinance and attached rate tariffs are the result of negotiations between ACSC and the Company to resolve issues raised by ACSC during the review and evaluation of Atmos Mid-Tex's RRM filing.

The Ordinance resolves the Company's RRM filing by authorizing additional revenues to the Company of \$16.6 million system-wide. For purposes of comparison, this negotiated result is about \$11 million less than what ACSC's consultants calculated that Atmos would have been entitled to if Atmos had filed a case under the Gas Reliability Infrastructure Program ("GRIP") rather than an RRM case. The settlement is expected to increase the average residential customer's bill by approximately \$0.74 per month. An Average Bill Comparison of base rates has been prepared for residential, commercial, industrial, and transportation customers.

The ACSC Executive Committee and ACSC legal counsel recommend that all ACSC Cities adopt the Ordinance implementing the rate change.

**RRM Background:**

The RRM tariff was originally approved by ACSC Cities as part of the settlement agreement to resolve the Atmos Mid-Tex 2007 system-wide rate filing at the Railroad Commission. In early 2013, the City adopted a renewed RRM tariff for an additional five years. Atmos Mid-Tex's July 2013 filing was made pursuant to the renewed RRM tariff.

The RRM tariff and the process implementing that tariff were created collaboratively by ACSC and Atmos Mid-Tex as an alternative to the legislatively-authorized GRIP surcharge process. ACSC has opposed GRIP because it constitutes piecemeal ratemaking, does not allow any review of the reasonableness of Atmos' expenditures, and does not allow participation by cities or recovery of cities' rate case expenses. In contrast, the RRM process has allowed for a more comprehensive rate review and annual adjustment as a substitute for GRIP filings. ACSC's consultants have calculated that had Atmos filed under the GRIP provisions, it would have received additional revenues from ratepayers in excess of \$28 million.

**Purpose of the Ordinance:**

Rates cannot change without the adoption of rate ordinances by cities. No related matter is pending at the Railroad Commission. The purpose of the Ordinance is to approve rates (shown on "Attachment A" to the Ordinance) that reflect the negotiated rate changes pursuant to the RRM process and to ratify the recommendation of the ACSC Executive Committee.

As a result of the negotiations, ACSC was able to reduce the Company's requested \$22.7 million RRM increase to \$16.6 million. Approval of the Ordinance will result in the implementation of new rates that increase Atmos Mid-Tex's revenues effective November 1, 2013.

**Reasons Justifying Approval of the Negotiated Resolution:**

Consultants working on behalf of ACSC Cities have investigated the support for the Company's requested rate increase. While the evidence does not support the \$22.7 million increase requested by the Company, ACSC's consultants agree that the Company can justify an increase in revenues of some lesser amount. The agreement on \$16.6 million is a compromise between the positions of the parties.

The alternative to a resolution of the RRM filing would be a GRIP filing by the Company, based upon the Railroad Commission's decision in the 2012 rate case. A GRIP filing would entitle the Company to receive more than \$28 million in additional revenues, with ACSC being precluded from reviewing the reasonableness of the GRIP filing. The ACSC Executive Committee recommends that ACSC members take action to approve the Ordinance authorizing new rate tariffs.

**No Changes to Residential Customer Charges:**

For the first annual filing under the revised RRM tariff, the Company agreed to forgo any change to the residential customer charge. Therefore, for the 2013 RRM, the

result of the filing will not increase the residential customer charge, and the entirety of the increase to the residential class will be applied to the commodity (natural gas consumption) component of rates.

**Explanation of "Be It Ordained" Paragraphs:**

1. This paragraph approves all findings in the Ordinance.
2. This section adopts the attached tariffs ("Attachment A") in all respects and finds the rates set pursuant to the attached tariffs to be just, reasonable, and in the public interest. Note that only new tariffs or existing tariffs being revised are attached to the Ordinance. Existing tariffs not being changed in any way are not attached to the Ordinance.
3. This section requires the Company to reimburse ACSC for reasonable ratemaking costs associated with reviewing and processing the RRM application.
4. This section repeals any resolution or ordinance that is inconsistent with this Ordinance.
5. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
6. This section is a savings clause, which provides that if any section(s) is later found to be unconstitutional or invalid, that finding shall not affect, impair or invalidate the remaining provisions of this Ordinance. This section further directs that the remaining provisions of the Ordinance are to be interpreted as if the offending section or clause never existed.
7. This section is a "most favored nations" clause. It provides that if the Company settles with other parties on better terms than agreed to with the ACSC Cities, the ACSC Cities (including the City) will automatically receive the benefit of those better terms.
8. This section provides for an effective date upon passage.
9. This paragraph directs that a copy of the signed Ordinance be sent to a representative of the Company and legal counsel for ACSC.

**RECOMMENDED ACTION**

Adoption of ordinance on second reading.

**CITY OF KERRVILLE, TEXAS  
ORDINANCE NO. 2013-20**

**AN ORDINANCE APPROVING A NEGOTIATED RESOLUTION BETWEEN THE ATMOS CITIES STEERING COMMITTEE AND ATMOS ENERGY CORP., MID-TEX DIVISION REGARDING THE COMPANY'S 2013 ANNUAL RATE REVIEW MECHANISM FILING IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; REQUIRING THE COMPANY TO REIMBURSE CITIES' REASONABLE RATEMAKING EXPENSES; REPEALING CONFLICTING RESOLUTIONS OR ORDINANCES; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE; PROVIDING A MOST FAVORED NATIONS CLAUSE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND THE STEERING COMMITTEE'S LEGAL COUNSEL**

**WHEREAS**, the City of Kerrville, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

**WHEREAS**, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of approximately 164 similarly situated cities served by Atmos Mid-Tex that have joined together to facilitate the review of and response to natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

**WHEREAS**, pursuant to the terms of the agreement settling the Company's 2007 Statement of Intent to increase rates, ACSC Cities and the Company worked collaboratively to develop a Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review

process controlled in a three-year experiment by ACSC Cities as a substitute to the current Gas Reliability Infrastructure Program (“GRIP”) process instituted by the Legislature; and

**WHEREAS**, the City took action in 2008 to approve a Settlement Agreement with Atmos Mid-Tex resolving the Company’s 2007 rate case and authorizing the RRM tariff; and

**WHEREAS**, in 2013, ACSC and the Company negotiated a renewal of the RRM tariff process for an additional five years; and

**WHEREAS**, the City passed an ordinance renewing the RRM tariff process for the City for an additional five years; and

**WHEREAS**, the RRM renewal tariff contemplates reimbursement of ACSC Cities’ reasonable expenses associated with RRM applications; and

**WHEREAS**, on or about July 15, 2013, the Company filed with the City its first annual RRM filing under the renewed RRM tariff, requesting to increase natural gas base rates by \$22.7 million; and

**WHEREAS**, ACSC coordinated its review of Atmos Mid-Tex’s RRM filing through its Executive Committee, assisted by ACSC attorneys and consultants, to resolve issues identified by ACSC in the Company’s RRM filing; and

**WHEREAS**, the ACSC Executive Committee, as well as ACSC’s counsel and consultants, recommend that ACSC Cities approve the attached rate tariffs (“Attachment A” to this Ordinance), which will increase the Company’s revenues by \$16.6 million; and

**WHEREAS**, the attached tariffs implementing new rates are consistent with the negotiated resolution reached by ACSC Cities and are just, reasonable, and in the public interest;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, KERR COUNTY, TEXAS:**

**SECTION ONE.** The findings set forth in this Ordinance are hereby in all things approved.

**SECTION TWO.** The City Council finds the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable and new tariffs which are attached hereto and incorporated herein as **Attachment A**, are just and reasonable and are hereby adopted.

**SECTION THREE.** Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC Cities in processing the Company's RRM application.

**SECTION FOUR.** To the extent any resolution or ordinance previously adopted by the City Council is inconsistent with this Ordinance, it is hereby repealed.

**SECTION FIVE.** The meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**SECTION SIX.** If any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

**SECTION SEVEN.** If ACSC determines any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent negotiated settlement approved in any proceeding addressing the issues raised in Atmos' 2013 RRM filing would be more beneficial to the ACSC Cities than the terms of the attached tariffs, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally and automatically accrue to the ACSC Cities, including the City, without the need for City to take any further action. If this automatic

adjustment occurs, Atmos Mid-Tex shall promptly thereafter file with the City an amended tariff documenting the adjustment to rates.

**SECTION EIGHT.** This Ordinance shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after November 1, 2013.

**SECTION NINE.** A copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Manager of Rates and Regulatory Affairs, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

**PASSED AND APPROVED ON FIRST READING,** this the 8<sup>th</sup> day of October, A.D., 2013.

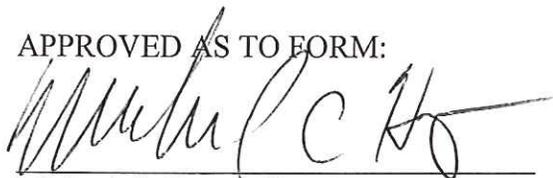
**PASSED AND APPROVED ON SECOND AND FINAL READING,** this the \_\_\_ day of \_\_\_\_\_, A.D., 2013.

ATTEST:

\_\_\_\_\_  
Jack Pratt, Jr., Mayor

\_\_\_\_\_  
Brenda G. Craig, City Secretary

APPROVED AS TO FORM:



\_\_\_\_\_  
Michael C. Hayes, City Attorney

# **Attachment A**

Atmos Mid-Tex Tariffs  
Effective November 1, 2013

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RATE SCHEDULE:</b>	<b>R – RESIDENTIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

**Application**

Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

**Type of Service**

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Bill	\$ 17.70 per month
Rider CEE Surcharge	\$ 0.02 per month <sup>1</sup>
<b>Total Customer Charge</b>	<b>\$ 17.72 per month</b>
Commodity Charge – All <u>Ccf</u>	\$0.05831 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Agreement**

An Agreement for Gas Service may be required.

**Notice**

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

<sup>1</sup> Reference Rider CEE - Conservation And Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2013.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RATE SCHEDULE:</b>	<b>C – COMMERCIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

**Application**

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 30,000 Ccf.

**Type of Service**

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Bill	\$ 35.75 per month
Rider CEE Surcharge	\$ 0.10 per month <sup>1</sup>
<b>Total Customer Charge</b>	<b>\$ 35.85 per month</b>
Commodity Charge – All Ccf	\$ 0.06893 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Agreement**

An Agreement for Gas Service may be required.

**Notice**

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

<sup>1</sup> Reference Rider CEE - Conservation And Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2013.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RATE SCHEDULE:</b>	<b>I – INDUSTRIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

**Application**

Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

**Type of Service**

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**

Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Meter	\$ 620.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2565 per MMBtu
Next 3,500 MMBtu	\$ 0.1879 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0403 per MMBtu

**Gas Cost Recovery:** Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

**Franchise Fee Adjustment:** Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

**Tax Adjustment:** Plus an amount for tax calculated in accordance with Rider TAX.

**Surcharges:** Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Curtailment Overpull Fee**

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

**Replacement Index**

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RATE SCHEDULE:</b>	<b>I - INDUSTRIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

**Agreement**

An Agreement for Gas Service may be required.

**Notice**

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

**Special Conditions**

In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RATE SCHEDULE:</b>	<b>T – TRANSPORTATION</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

**Application**

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

**Type of Service**

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

**Monthly Rate**

Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Meter	\$ 620.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2565 per MMBtu
Next 3,500 MMBtu	\$ 0.1879 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0403 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

**Imbalance Fees**

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

**Monthly Imbalance Fees**

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RATE SCHEDULE:</b>	<b>T – TRANSPORTATION</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

**Curtailment Overpull Fee**

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

**Replacement Index**

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

**Agreement**

A transportation agreement is required.

**Notice**

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

**Special Conditions**

In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RIDER:</b>	<b>WNA – WEATHER NORMALIZATION ADJUSTMENT</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

Provisions for Adjustment

The Commodity Charge per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The five regional weather stations are Abilene, Austin, Dallas, Waco, and Wichita Falls.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

- $i$  = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- $WNAF_i$  = Weather Normalization Adjustment Factor for the  $i^{th}$  rate schedule or classification expressed in cents per Ccf
- $R_i$  = Commodity Charge rate of temperature sensitive sales for the  $i^{th}$  schedule or classification.
- $HSF_i$  = heat sensitive factor for the  $i^{th}$  schedule or classification divided by the average bill count in that class
- $NDD$  = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.
- $ADD$  = billing cycle actual heating degree days.
- $BL_i$  = base load sales for the  $i^{th}$  schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the  $j$ th customer in  $i$ th rate schedule is computed as:

$$WNA_j = WNAF_i \times q_{ij}$$

Where  $q_{ij}$  is the relevant sales quantity for the  $j$ th customer in  $i$ th rate schedule.

**MID-TEX DIVISION  
ATMOS ENERGY CORPORATION**

<b>RIDER:</b>	<b>WNA – WEATHER NORMALIZATION ADJUSTMENT</b>	
<b>APPLICABLE TO:</b>	<b>ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 11/01/2013</b>	

Base Use/Heat Use Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>
Abilene	9.97	0.1318	96.50	0.5659
Austin	11.05	0.1262	189.59	0.7195
Dallas	13.13	0.1832	171.84	0.8797
Waco	9.78	0.1262	117.60	0.5774
Wichita Falls	10.99	0.1297	107.70	0.5041

Weather Normalization Adjustment (WNA) Report

On or before June 1 of each year, the company posts on its website at [atmosenergy.com/mtx-wna](http://atmosenergy.com/mtx-wna), in Excel format, a *Weather Normalization Adjustment (WNA) Report* to show how the company calculated its WNAs factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and a Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.

## **Agenda Item:**

5A. Ordinance No. 2013-21 by the City Council of the City of Kerrville, Texas authorizing the issuance of "City of Kerrville, Texas Utility System Revenue Bonds, Series 2013"; 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 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/registrars agreement and a purchase and investment letter; complying with the requirements of the letter of representations previously executed with the depository trust company; and providing for an effective date. (staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Ordinance authorizing the issuance of "City of Kerrville, Texas Utility System Revenue Bonds, Series 2013" in an aggregate amount of \$6,300,000 by the Kerrville Public Utility Board (KPUB) to fund capital projects

**FOR AGENDA OF:** Oct. 22, 2013      **DATE SUBMITTED:** Oct. 18, 2013

**SUBMITTED BY:** Todd Parton      **CLEARANCES:**  
City Manager

**EXHIBITS:** KPUB Letter Dated March 15, 2013  
Draft Ordinance

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

---

<b>Expenditure</b>	<b>Current Balance</b>	<b>Amount</b>	<b>Account</b>
<b>Required:</b>	<b>in Account:</b>	<b>Budgeted:</b>	<b>Number:</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	

**PAYMENT TO BE MADE TO:** .

**REVIEWED BY THE DIRECTOR OF FINANCE:**

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**SUMMARY STATEMENT**

The Kerrville Public Utility Board (KPUB) proposes to issue revenue bonds in the amount of \$6,300,000. Bond proceeds will be used to fund a specific list of capital improvements to the electric system as outlined in a letter from KPUB dated March 15, 2013.

KPUB utility revenues will be used to make the debt service payments. KPUB has completed a rate study that projected a rate increase of 3% would be required in 2015 to cover the debt service. The letter dated March 15, 2013, provides a summary the rate study.

KPUB is an entity of the city and the issuance of debt by KPUB must be authorized by the City Council according to the same rules and procedures required of any other city debt issue. All debt issued by KPUB is credited toward the city's bank qualified debt cap. This issue would limit the City Council's ability to issue bank qualified debt for the 2014 calendar year to \$3,700,000. There are no plans to issue this amount of additional debt for the 2014 calendar year.

### **RECOMMENDED ACTION**

KPUB is scheduled to meet on October 22, 2013, to take final action on issuing these bonds. Should KPUB vote to issue them, city staff recommends approval of this ordinance to issue the "City of Kerrville, Texas Utility System Revenue Bonds 2013."



KERRVILLE  
PUBLIC  
UTILITY  
BOARD

2250 Memorial Blvd. • P.O. Box 294999 • Kerrville, Texas 78029-4999 • 830-257-3050 • FAX 830-257-8078

March 15, 2013

Mr. Todd Parton  
City Manager  
City of Kerrville  
701 Main Street  
Kerrville, Texas 78028

**RE: City of Kerrville, Texas Utility System Revenue Bonds, Series 2013**

Dear Todd,

Thank you for placing the Reimbursement Resolution associated with the above referenced revenue bonds on the March 26, 2013, City Council Agenda. For the Council's information in considering this Resolution, I have attached the following items:

- A) Bond Projects lists the specific projects to be funded from the proceeds of the revenue bonds. One of these projects is already underway, hence the need for the Reimbursement Resolution.
- B) KPUB Capital Improvement Plan showing 5 fiscal years of historical data, the current fiscal year, and projections for fiscal years 2014 – 2012. The projects to be funded from the Revenue Bond proceeds are highlighted in Blue and other major capital projects are highlighted in Yellow.
- C) Revised Capital Letter from Utility Financial Solutions, LLC (UFS) who performed the cost of service and rate study for KPUB that was the point of discussion at the joint Kerrville City Council and Kerrville Public Utility Board meeting of August 20, 2012, and resulted in KPUB's revised rates that went into effect on October 1, 2012. This letter contains a review of KPUB's new long term Capital Improvement Plan and its effects on rates and revenue bonds sales.
- D) Timetable of Events associated with the above referenced revenue bonds.

Please feel free to contact me should you have any questions or need additional information.

Yours truly,

Tracy L. McCuan  
General Manager and CEO

TLM/lg

cc: Mike Hayes, City Attorney

**City of Kerrville Utility System Revenue Bonds, Series 2013  
Projects to be funded by Bond Proceeds**

Attachment A

SUBSTATION TRANSFORMER	KVA RATING	DATE INSTALLED	CURRENT AGE	REPLACEMENT FYE	DRIVER	REPLACEMENT COST	TOTAL
STADIUM T2	22,400	1965	47	2013	Age	\$ 1,149,018	
LEGION	22,400	1963	49	2014	Transmission	\$ 2,035,421	
TRAVIS T1	22,400	1980	32	2015	Transmission	\$ 1,869,805	
BARKER T1	10,500	1971	41	2016	Age	\$ 1,229,623	\$ 6,283,867

KPUB Capital Improvement Plan

	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021
<b>I. METERS:</b>														
Existing AMR Systems	\$ 25,500	\$ 55,000	\$ 65,000	\$ 65,000	\$ 50,000	\$ 70,000	\$ 70,000	\$ 71,400	\$ 72,800	\$ 74,300	\$ 75,800	\$ 77,300	\$ 78,800	\$ 80,400
Meter Reading Handhelds	\$ 27,500	\$ 25,000												
AMR/Load Control/PrePay Smartgrid Pilot														
AMR/Smartgrid Deployment														
									\$ 1,925,000	\$ 1,925,000				
<b>TOTAL METERS</b>	\$ 53,000	\$ 80,000	\$ 65,000	\$ 65,000	\$ 50,000	\$ 70,000	\$ 70,000	\$ 71,400	\$ 72,800	\$ 74,300	\$ 75,800	\$ 77,300	\$ 78,800	\$ 80,400
									\$ 1,937,800	\$ 1,937,800	\$ 75,800	\$ 77,300	\$ 78,800	\$ 80,400
<b>II. LINE CONSTRUCTION:</b>														
Ordinary Replacements	\$ 100,000	\$ 50,000	\$ 50,000	\$ 56,000	\$ 84,000	\$ 132,000	\$ 132,000	\$ 128,000	\$ 138,800	\$ 149,300	\$ 159,800	\$ 170,300	\$ 180,800	\$ 191,300
Customer Extensions	\$ 590,000	\$ 900,000	\$ 850,000	\$ 920,000	\$ 629,000	\$ 629,000	\$ 641,600	\$ 654,400	\$ 680,900	\$ 680,900	\$ 694,500	\$ 708,400	\$ 722,600	\$ 722,600
System Improvements	\$ 130,000	\$ 130,000	\$ 130,000	\$ 244,000	\$ 173,000	\$ 224,000	\$ 252,600	\$ 270,900	\$ 287,500	\$ 289,200	\$ 307,500	\$ 325,900	\$ 344,200	\$ 362,500
Power Inspection Replacements	\$ 15,000	\$ 20,000	\$ 73,000	\$ 240,000	\$ 233,000	\$ 350,000	\$ 257,000	\$ 312,000	\$ 318,200	\$ 328,600	\$ 331,100	\$ 337,900	\$ 344,500	\$ 351,400
Power Factor Improvement	\$ 15,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 12,000	\$ 20,000	\$ 20,400	\$ 20,800	\$ 21,200	\$ 21,600	\$ 22,000	\$ 22,400	\$ 22,800
Street Lights (Siderly Baker 50% LED)	\$ 2,500	\$ 1,500	\$ 76,400	\$ 76,400	\$ 94,040	\$ 266,500	\$ 6,800	\$ 6,900	\$ 7,000	\$ 7,100	\$ 7,200	\$ 7,300	\$ 7,400	\$ 7,500
Misc. Improvement Projects	\$ 720,500	\$ 381,000	\$ 239,045	\$ 95,800	\$ 265,000	\$ 245,000	\$ 245,000	\$ 249,900	\$ 254,900	\$ 260,000	\$ 265,200	\$ 270,500	\$ 275,900	\$ 281,400
LED Streetlights														
LED Securitylights								\$ 753,400						
								\$ 375,100						
<b>TOTAL LINE CONSTRUCTION</b>	\$ 1,528,000	\$ 1,462,500	\$ 1,438,445	\$ 1,252,200	\$ 1,488,040	\$ 1,860,500	\$ 2,740,200	\$ 1,655,000	\$ 1,716,900	\$ 1,773,300	\$ 1,829,200	\$ 1,883,600	\$ 1,939,500	\$ 1,939,500
<b>III. HEAVY EQUIPMENT &amp; VEHICLES:</b>														
Equipment	\$ 100,000					\$ 140,000		\$ 34,300	\$ 35,000	\$ 35,700	\$ 36,400	\$ 37,100	\$ 37,800	\$ 38,600
Bucket/Derrick Truck	\$ 120,000				\$ 175,000	\$ 150,000	\$ 160,700	\$ 163,900	\$ 167,200	\$ 170,500	\$ 173,900	\$ 177,400	\$ 180,900	\$ 180,900
Small Vehicles	\$ 81,000	\$ 76,000	\$ 76,396		\$ 17,000		\$ 40,000	\$ 59,000	\$ 59,200	\$ 60,400	\$ 61,600	\$ 62,800	\$ 64,100	\$ 65,400
<b>TOTAL HEAVY EQUIPMENT &amp; VEHICLES</b>	\$ 301,000	\$ 76,000	\$ 76,396	\$ -	\$ 192,000	\$ 290,000	\$ 197,500	\$ 253,000	\$ 256,100	\$ 263,300	\$ 268,500	\$ 273,800	\$ 279,300	\$ 284,900
<b>IV. GENERAL PLANT/OTHER:</b>														
Normal IT	\$ 198,494	\$ 240,000	\$ 204,650	\$ 269,690	\$ 281,000	\$ 177,000	\$ 180,000	\$ 185,000	\$ 188,700	\$ 192,500	\$ 196,400	\$ 200,300	\$ 204,300	\$ 208,400
Major IT				\$ 190,000					\$ 236,300	\$ 241,000		\$ 250,700	\$ 255,700	
Enterprise Resource Planning (ERP) System														
IT Disaster Recovery (DR)						\$ 220,000	\$ 260,000							
Offsite IT Shelter DR						\$ 75,000	\$ 75,000							
Offsite DR Shelter Land						\$ 180,000	\$ 180,000							
Communications to Support DR						\$ 154,000	\$ 120,000							
Dispatch	\$ 5,000	\$ 10,000	\$ 49,850	\$ 27,500	\$ 12,500	\$ 25,000	\$ 80,000	\$ 29,900	\$ 30,500	\$ 31,100	\$ 31,700	\$ 32,300	\$ 32,900	\$ 33,600
Office Furniture	\$ 5,000	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,100	\$ 5,200	\$ 5,300	\$ 5,400	\$ 5,500	\$ 5,600	\$ 5,700
Facilities Improvements (Remodel, Security, F	\$ 40,500	\$ 190,000	\$ 306,500	\$ 96,127	\$ 57,978	\$ 42,000	\$ 122,200	\$ 122,200	\$ 127,100	\$ 127,100	\$ 132,200	\$ 132,200	\$ 137,500	\$ 137,500
Misc. Building Improvement			\$ 5,000	\$ 5,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,300	\$ 15,600	\$ 15,900	\$ 16,200	\$ 16,500	\$ 16,800	\$ 17,100
Energy Efficiency			\$ 25,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,400	\$ 20,800	\$ 21,200	\$ 21,600	\$ 22,000	\$ 22,400	\$ 22,800	\$ 23,200
Capital Tools	\$ 35,500	\$ 75,300	\$ 26,200	\$ 25,500	\$ 70,995	\$ 27,500	\$ 27,500	\$ 41,200	\$ 42,000	\$ 42,800	\$ 43,700	\$ 44,600	\$ 45,500	\$ 46,400
<b>TOTAL GENERAL PLANT/OTHER</b>	\$ 284,494	\$ 520,300	\$ 807,200	\$ 729,017	\$ 432,473	\$ 760,500	\$ 942,500	\$ 419,100	\$ 539,100	\$ 676,900	\$ 315,000	\$ 704,100	\$ 663,200	\$ 471,500
<b>V. SUBSTATIONS:</b>														
Minor Improvements	\$ 10,000	\$ 63,000	\$ 246,614	\$ 55,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 114,500	\$ 116,800	\$ 119,100	\$ 121,500	\$ 123,900	\$ 126,400	\$ 128,900
Relay Replacements	\$ 96,000				\$ 98,700	\$ 170,000								
Jack Furman Substation														
Travis Substation Phase 1			\$ 352,367	\$ 1,639,309										
Stadium Substation						\$ 1,149,018	\$ 2,035,421	\$ 1,869,805	\$ 1,229,623			\$ 1,725,295	\$ 1,549,060	\$ 2,146,264
Legion Substation														
Travis Substation Phase 2 (FY 2014-2015)														
CenterPoint Substation (FY 2015-2016)														
Fiber Optic Communications														
Harpor Rd. Substation T1														
Stadium Substation T3														
Jack Furman Substation T2														
<b>TOTAL SUBSTATIONS</b>	\$ 106,000	\$ 63,000	\$ 600,381	\$ 1,694,309	\$ 118,700	\$ 1,339,018	\$ 3,440,421	\$ 3,019,305	\$ 1,346,423	\$ 119,100	\$ 1,846,795	\$ 1,072,960	\$ 2,272,664	\$ 128,900
<b>TOTAL CAPITAL BUDGET</b>	\$ 2,272,494	\$ 2,201,800	\$ 2,988,012	\$ 3,740,526	\$ 2,281,213	\$ 4,320,018	\$ 6,284,221	\$ 6,603,005	\$ 5,806,423	\$ 4,777,500	\$ 4,279,395	\$ 4,556,360	\$ 5,097,564	\$ 2,905,200
<b>TOTAL EXCLUDING MAJOR PROJECTS</b>	\$ 2,272,494	\$ 2,201,800	\$ 2,988,012	\$ 2,101,217	\$ 2,281,213	\$ -3,171,000	\$ 2,843,800	\$ 2,569,700	\$ 2,651,800	\$ 2,852,500	\$ 2,554,100	\$ 3,007,300	\$ 2,951,300	\$ 2,905,200

Other major capital improvement projects

Major projects to be funded with 2024 revenue bond proceeds



March 13, 2013

Mr. Tracy McCuan  
 Kerrville Public Utility Board  
 2250 Memorial Blvd  
 Kerrville, TX 78028

Dear Mr. McCuan,

We are pleased to present an executive summary for Kerrville Public Utility Board (KPUB) for a sensitivity analysis performed on the financial projection provided in 2012. The projection was updated with a revised capital plan as provided by KPUB.

The specific purposes of the analysis are:

1. Determine the KPUB's revenue requirements for the projection period with the revised capital plan and compare the revenue requirements with projected revenues.
2. Determine operating income and compare to projected operating income
3. Compare projected cash flow with recommended minimum cash target
4. Compare projected debt coverage ratio with minimum target
5. Recommend projected bond issuances
6. Recommend rate adjustments needed to work toward revenue requirements, minimum cash target, and minimum debt coverage ratio

The results of the projection provided to KPUB in 2012 are below:

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	City Transfer (%)	City Transfer \$	Adjusted Operating Income	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
2012	3.75%	43,233,586	41,171,072	3.0%	1,214,560	2,062,514	8,240,888	2,281,213		2.14
2013	0.00%	44,628,731	42,828,328	3.0%	1,279,025	1,800,403	8,341,659	4,555,905		2.53
2014	0.00%	46,086,279	44,562,631	3.0%	1,320,713	1,523,648	10,890,134	4,435,421	3,000,000	19.46
2015	0.00%	47,608,903	46,352,051	3.0%	1,384,272	1,256,852	10,638,814	4,269,805		26.50
2016	0.00%	49,199,387	48,188,593	3.0%	1,409,781	1,010,794	10,934,582	3,629,623		26.28
Recommended Target In 2012						\$ 1,857,189	\$ 9,173,919			1.65
Recommended Target In 2016						\$ 2,120,627	\$ 9,030,873			1.65

The Projection showed the need for a 3.75% increase in 2012 and an increase in 2017 of around 3% as operating income targets were not being met by the end of the projection period. It also showed the need for a \$3.0 million bond in 2014.

The financial projection was updated with the revised capital plan as provided by KPUB and the results are summarized in the table below:

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	City Transfer (%)	City Transfer \$	Adjusted Operating Income	Projected Cash Balances	Capital Improvements	Bond Issues	Debt Coverage Ratio
2012	3.75%	43,233,586	41,171,072	3.0%	1,214,560	2,062,514	8,240,888	2,281,213		2.14
2013	0.00%	44,628,731	42,823,610	3.0%	1,279,025	1,805,121	8,577,546	4,320,018		2.53
2014	0.00%	46,086,279	44,589,771	3.0%	1,320,713	1,496,508	12,486,439	6,264,221	6,300,000	13.89
2015	3.00%	49,018,684	46,462,432	3.0%	1,364,272	2,556,252	11,111,434	6,603,005		15.87
2016	0.00%	50,623,265	48,431,467	3.0%	1,452,074	2,191,799	10,389,247	5,806,423		15.75
Recommended Target in 2012						\$ 1,857,189	\$ 9,594,356			1.65
Recommended Target in 2016						\$ 2,467,749	\$ 9,520,798			1.65

The projection shows the increase would move up 2 years and should be placed in 2015 at 3%. The bond issuance would be between \$6.0 and \$7.0 million depending how revenues and actual capital expenses materialize.

The results of the analysis using the revised capital plan as provided by KPUB are summarized below:

1. The rate increase is recommended to be moved up from 2017 to 2015 at 3%
2. The bond issue is recommended in 2014 as originally planned, but increase from \$3.0 million to between \$6.0 - \$7.0 million.

The recommended rate increase and actual bond issuance will need to be updated as revenues, expenses and capital spending materialize as actual amounts may vary.

This report is intended for information and use by management and the Board of Directors for purposes stated above and is not intended to be used by anyone except the specified parties.

Sincerely,



Dawn Lund, Vice President

Utility Financial Solutions, LLC



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES

**\$6,300,000**  
**City of Kerrville, Texas**  
**Utility System Revenue Bonds, Series 2013**  
**Preliminary Timetable of Events**

July							August							September							October						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3	1	2	3	4	5	6	7			1	2	3	4	5
7	8	9	10	11	12	13	4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
14	15	16	17	18	19	20	11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
21	22	23	24	25	26	27	18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
28	29	30	31				25	26	27	28	29	30	31	29	30						27	28	29	30	31		

Tuesday, February 21, 2013

KPUB adopts a Resolution requesting City Council to adopt a Reimbursement Resolution and requests City Council to issue the Bonds.

*26*  
Tuesday, March ~~12~~, 2013

City Council passes a Reimbursement Resolution relating to the Projects.

Week of  
Monday, September 2, 2013

Distribute Preliminary Official Statement for comments  
SPFI makes application to the rating agencies and bond insurance companies.

Week of  
September 9, 2013

KPUB Board selects underwriting syndicate; Bond Counsel distributes drafts of bond documents and Underwriter's Counsel distributes purchase contract to the team.

Week of:  
Monday, September 16, 2013

Rating Agency calls/meetings.

Wednesday, October 9, 2013

Receive ratings from rating agencies and bond insurance premium quotes.

Monday, October 21, 2013

Bond Pricing—Negotiate prices, yields and terms of the Bonds with the Underwriters.

Tuesday, October 22, 2013

Award—The KPUB Board will consider the ordinance authorizing the issuance of the Bonds with a recommendation for approval to the City Council.

Award—The City Council will consider the ordinance authorizing the issuance of Bonds to the Underwriters.

Thursday, January 2, 2014

Closing Date—Bond proceeds delivered to construction fund.

Denotes Sale Date

FINAL

ORDINANCE NO. 2013-21

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF KERRVILLE, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2013"; 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 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 AND A PURCHASE AND INVESTMENT LETTER; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE

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ORDINANCE NO. 2013-21

**AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF KERRVILLE, TEXAS AUTHORIZING THE ISSUANCE OF "CITY OF KERRVILLE, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2013"; 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 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 AND A PURCHASE AND INVESTMENT LETTER; COMPLYING WITH THE REQUIREMENTS OF THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; AND PROVIDING FOR AN EFFECTIVE DATE**

WHEREAS, the City Council (the *City Council*) of the City of Kerrville, Texas (the *City*) has determined that revenue bonds (the *Bonds*) payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues (hereinafter defined) of the City's electric, light, and power utility system (as further defined and described herein, the *System*) should be issued for the purposes hereinafter described; and

WHEREAS, the City's currently outstanding obligations designated as "City of Kerrville, Texas Utility System Revenue Refunding Bonds, Series 2001", dated September 1, 2001, in the original principal amount of \$23,415,000 (the *Previously Issued Prior Lien Obligations*) will be paid off on November 1, 2013, and as such, are no longer Outstanding; and

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

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

WHEREAS, the City Council hereby finds and determines that 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 KERRVILLE, 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 SIX MILLION THREE HUNDRED THOUSAND AND NO/100 DOLLARS (\$6,300,000), to be designated and bear the title of CITY OF KERRVILLE, TEXAS UTILITY

SYSTEM REVENUE BONDS, SERIES 2013 (the *Bonds*), pursuant to an ordinance adopted by the City Council (the *Ordinance*) for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the City's System and (ii) paying the costs of issuing the Bonds. The Bonds shall be payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues of the System (hereinafter defined). The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the City's Home Rule Charter, and the Ordinance.

SECTION 2: Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates - Bond Date. The Bonds are issuable in fully registered form only; shall be dated October 1, 2013 (the *Bond Date*), and shall generally be in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof, and the Bonds shall become due and payable on November 1 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts from the Closing Date, 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 Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2014	316,000	0.490
2015	372,000	0.840
2016	375,000	1.010
2017	379,000	1.340
2018	385,000	1.680
2019	392,000	1.970
2020	401,000	2.260
2021	411,000	2.530
2022	422,000	2.810
2023	434,000	3.080
2024	448,000	3.290
2025	464,000	3.500
2026	481,000	3.710
2027	500,000	3.920
2028	520,000	4.130

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 May 1 and November 1 of each year (each, an *Interest Payment Date*), commencing May 1, 2014, 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 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 Broadway National Bank, San Antonio, Texas (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be a national or state banking institution or 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 *Holder*s) 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 fifteenth 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 November 1, 2024 shall be subject to redemption prior to Stated Maturity, at the option of the City, on November 1, 2023, or on any date thereafter, as a whole or in part, in principal amounts of \$1,000 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 \$1,000.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall 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.

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. 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*).

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 transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or 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 either officer 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 canceled 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 Bonds(s). The Bonds herein authorized shall be issued initially either as a single fully-registered Bond in the total principal amount of \$6,300,000 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(s)*) and, in either case, the Initial Bond(s) shall be registered in the name of the Purchasers or the designee thereof. The Initial Bond(s) 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 initial purchasers. Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar, upon written instructions from the Purchasers or their designee, shall cancel the Initial Bond(s) delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, 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 initial 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) 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(s) submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced.

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

(b) Form of Definitive Bond.

REGISTERED  
NO.

REGISTERED  
PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

United States of America  
State of Texas  
County of Kerr  
CITY OF KERRVILLE, TEXAS  
UTILITY SYSTEM REVENUE BONDS,  
SERIES 2013

Bond Date:  
October 1, 2013

Interest Rate:

Stated Maturity:

CUSIP No.

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The City of Kerrville, Texas (the *City*), a body corporate and municipal corporation in the County of Kerr, 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 specified above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the per annum rate specified above; such interest being payable on May 1 and November 1 of each year (each, an *Interest Payment Date*) commencing May 1, 2014.

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 fifteenth 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 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 \$6,300,000 (the *Bonds*) pursuant to an ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the City's System (defined herein) and (ii) paying the costs of issuing the Bonds. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapter 1502, as amended, Texas Government Code, the City's Home Rule Charter, and the Ordinance.

The Bonds stated to mature on and after November 1, 2024 may be redeemed prior to their Stated Maturities, at the option of the City, on November 1, 2023 or on any date thereafter, in whole or in part in principal amounts of \$1,000 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 \$1,000, portions of the principal sum hereof in installments of \$1,000 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. 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 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 electric, light, and power 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 as may be applicable thereto under law or otherwise. In the Ordinance, the City reserves and retains the

right to issue Additional Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Limited Pledge Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Ordinance or 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.

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

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

CITY OF KERRVILLE, TEXAS

By \_\_\_\_\_  
Mayor

ATTESTED:

\_\_\_\_\_  
City Secretary

(CITY SEAL)

(c) \*Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond(s) 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:

BROADWAY NATIONAL BANK, San  
Antonio, Texas, as Paying Agent/Registrar

\_\_\_\_\_ By: \_\_\_\_\_  
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

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

DATED: \_\_\_\_\_

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

Signature guaranteed:

\_\_\_\_\_  
(f) The Initial Bond(s) 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(s) the headings "Interest Rate" and "Stated Maturity" shall both be completed "as shown below";

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

Registered Owner: \_\_\_\_\_

Principal Amount: \_\_\_\_\_

The City of Kerrville, Texas (the *City*), a body corporate and municipal corporation in the County of Kerr, 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 first day of November 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>
---	---	-------------------------------------

(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 be January 2, 2014) or from the most recent interest payment date 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 May 1 and November 1 of each year, commencing May 1, 2014.

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 Broadway National Bank, San Antonio, Texas (the *Paying Agent/Registrar*) (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 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 fifteenth 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.

(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 48 of this Ordinance have the meanings assigned to them in Sections 32 and 48, 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, 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, or the City Secretary of the City and/or General Manager and Chief Executive Officer of the Board.

(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 *Board of Trustees* or *Board* shall mean the Kerrville Public Utility Board provided for under Section 35.

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

(f) The term *Bonds* shall mean the "City of Kerrville, Texas Utility System Revenue Bonds, Series 2013", dated October 1, 2013, authorized by this Ordinance.

(g) The term *Bonds Similarly Secured* shall mean the 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.

(h) The term *City* shall mean the City of Kerrville located in the County of Kerr, Texas and, where appropriate, the City Council of the City.

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

(j) 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.

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

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

(m) 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.

(n) The term *Gross Revenues* shall mean all revenues, income, and receipts of every nature derived or received by the Board or the City from the operation and ownership of the System, including the interest income from the investment or deposit of money in any fund created by this Ordinance, or maintained by the Board or the City in connection with the System.

(o) The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Bond.

(p) The term *Interest Payment Date* shall mean the date interest is payable on the Bonds, being May 1 and November 1 of each year, commencing May 1, 2014, while any of the Bonds remain Outstanding.

(q) 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 and prior 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.

(r) 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.

(s) 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 or the Board for the purchase of electric power, natural gas or similar payments, 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.

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

(u) 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.

(v) The term *Ordinance* shall mean this ordinance adopted by the City Council on October 22, 2013.

(w) 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.

(x) The term *Pledged Revenues* shall mean (1) a first and prior 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.

(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 November 1 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 and include the electric distribution system described in the Purchase Agreement between the City and Lower Colorado River Authority, dated April 16, 1987, which was purchased pursuant to the terms of such Purchase Agreement by the City from the Lower Colorado River Authority and any other "combined system" as defined in Section 1502.001, as amended, Texas Government Code or any other utility, telecommunications, technology, or similar enterprise services hereafter permitted by law to be

owned and operated by the City, whether situated within or without the limits of the City, that the City may from time to time determine should become part of the System, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include any electric light or power, or other facilities which are declared by the City not to be a part of the System and which are acquired or constructed by 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 secured by or payable from the Pledged Revenues or Net Revenues as defined herein, but which are secured by and payable solely from special contract revenues or payments received from any other legal entity in connection with such facilities; and such revenues or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds".

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) 1.10 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 covenants, agrees, and affirms 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 Kerrville, 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 agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the "City of Kerrville, Texas Utility System Revenue Bonds, Series 2013 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, 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 Kerrville, 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.

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 \$530,880.00, 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 \$8,848.00, 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.

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; 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. The City hereby expressly reserves the right to hereafter issue Additional Prior Lien Obligations, payable from and equally secured by a first and prior lien on and pledge of the Pledged Revenues of the System, upon satisfying each of the following conditions precedent:

(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) or the Board's General Manager and Chief Executive Officer and 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) or the Board's General Manager and Chief Executive Officer 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, City Manager, and/or the Board's General Manager and Chief Executive Officer 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 this 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 May 1 or November 1 (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 Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right 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 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 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, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds 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 – Authorization of Purchase Contract Approval – Bond Proceeds. The Bonds authorized by this Ordinance are hereby sold to Broadway National Bank, San Antonio, Texas (the *Purchasers*, and having all the rights, benefits, and obligations of a Holder) in accordance with the provisions of a Purchase and Investment Letter dated October 22, 2013 (the *Purchase Contract*) attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes. The Initial Bond shall be registered in the name of Broadway National Bank. 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 this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

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

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

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

Government Code, or as required by any other applicable law. Thereafter, such amount shall be expended in accordance with Section 13.

SECTION 32: Covenants to Maintain Tax-Exempt Status.

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

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

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

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

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

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

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

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

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

“*Yield*” of

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

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

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the

owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the City shall comply with each of the specific covenants in this Section.

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

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

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

(d) No Private Loan. Except 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) 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.

(l) Qualified Tax-Exempt Obligations. The City hereby designates the Bonds 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 Bonds are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bonds, 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 2014 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 Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

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

Furthermore, any Authorized Official, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the City's financial

advisor, bond counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bonds to the Purchasers.

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

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at 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 Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have, in the case of a net defeasance, been certified by an independent accounting firm to 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 moneys 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 gross defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Governmental Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The City covenants that no deposit of money or Government Securities 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" as referred to in Section 32 hereof and within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

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

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in subsections (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves

the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

SECTION 35: Management of the System. (a) Pursuant to the authority contained in Section 1502.070, as amended, Texas Government Code except as otherwise specifically provided in this Ordinance, the complete management and control of the System during such time as any Bonds Similarly Secured are outstanding and unpaid shall be vested in the Board which will be a Board of Trustees consisting of five citizens of the United States of America who reside or conduct business on a full-time basis in Kerr County, Texas and who use the System for personal, residential, business and/or company use. The Board shall be known as the "Kerrville Public Utility Board", and is referred to in this Ordinance as the "Board" and the "Board of Trustees." The Mayor of the City shall be an ex-officio voting member of the Board of Trustees, and the remaining members of the Board of Trustees shall consist of four members who currently are identified by the following positions and who are as follows:

Position 1: JOHN SAMPLE, currently serving for a term ending on April 21, 2014;

Position 2: FRED GAMBLE, currently serving for a term ending on April 21, 2015;

Position 3: STEPHEN FINE, currently serving for a term ending on April 21, 2016;

and

Position 4: PHILIP STACY, currently serving for a term ending on April 21, 2017.

Each member of the Board shall be appointed as herein provided to serve for five (5) year terms of office to commence on the expiration of the prior term of the member whose position is then being filled. Each member of the Board shall serve until such member's successor shall be appointed. All vacancies in membership on the Board, whether occasioned by failure or refusal of any person to accept appointment or by expiration of term of office or otherwise, shall be filled by the City Council of the City following the nomination of three (3) persons for each position to be filled by the majority vote of the remaining members of the Board of Trustees. If the City Council of the City does not act upon such nominations within thirty (30) days after submission in writing to the City Council, the Board of Trustees by majority vote of the remaining members shall nominate three (3) additional persons for each position to be filled. If the City Council does not act upon such additional nominations within thirty (30) days after submission of such additional nominations, the Board shall be empowered to fill such vacancies by the majority vote of the remaining members of the Board of Trustees. In the event the general law is changed to provide for an increase in the number of Board members from the number originally constituted, the number of Board members may be enlarged in compliance with said legislation and pursuant to the methods of appointment for vacancies as set forth herein. No person who is related within the second degree of consanguinity or affinity to any member of the Board of Trustees shall be eligible for election as a member of the Board. A person who has

served as a member of the Board for one term (including the initial members of the Board approved for initial terms pursuant to the provisions of Section 23(a) of the 1987 Ordinance that is no longer outstanding) shall be eligible to be re-appointed for one additional consecutive term of five (5) years, and one only, but may serve for any number of non-consecutive terms so long as such member has not served as a member of the Board for at least two (2) years next preceding the term for which such member is appointed. A member who is appointed to the Board to serve out an unexpired portion of a retired member's term shall not be considered to have served a "term" unless the unexpired portion of the term so served is two years or more. Permanent removal of residence from, or the failure to conduct business on a full-time basis in, Kerr County by any member of the Board shall vacate his office as a member of the Board, and any member of the Board, other than the Mayor of the City, who shall be continuously absent from all meetings held by the Board for a period of four consecutive months shall, unless he shall have been granted leave of absence by the unanimous vote of the remaining members of the Board, be considered to have vacated his office as a member of the Board. Any member of the Board other than the Mayor of the City may, by unanimous vote of the remaining members of the Board, or, by unanimous vote of the City Council (other than the Mayor) be removed from office, but only for adequate cause, mental incompetency, conviction of a felony, breach of fiduciary duty and/or any act or misconduct of the same or similar nature as is required for removal of a State District Judge. Except as otherwise specifically provided in this Ordinance, the Board of Trustees shall have absolute and complete authority and power with reference to the control, management and operation of the System and the expenditure and application of the revenues of the System subject to the provisions contained in this Ordinance, all of which shall be binding upon and shall govern the Board of Trustees. In connection with the management and operation of the System and the expenditure and application of the revenues therefrom the Board of Trustees shall be vested with all of the powers of the City with respect thereto, including all powers necessary or appropriate for the performance of all of the covenants, undertakings and agreements of the City contained in this Ordinance, and shall have full power and authority to make rules and regulations governing the furnishing of electric service to customers and for the payment of the same, and for the discontinuance of such services upon failure of customers to pay therefor, and, to the extent authorized by law, shall have full authority with reference to making of extensions, improvements and additions to the System and the acquiring by purchase or condemnation of properties of every kind in connection therewith.

(b) The Board of Trustees shall elect one of its members as Chairman and one as Vice Chairman of the Board and shall appoint a Secretary and a Treasurer, or a Secretary-Treasurer, who may, but need not be, a member or members of the Board. If a member of the Board of Trustees is not appointed as Secretary or Treasurer, or Secretary-Treasurer, then an employee or employees of the Board whose duties in the operation of the System require performance of similar duties may be appointed as Secretary or Treasurer, or Secretary-Treasurer. The Board of Trustees may follow and adopt such rules for the orderly handling of its affairs as it may see fit and may manage and conduct the affairs of the System with the same freedom and in the same manner ordinarily employed by the Board of Directors of private corporations operating properties of a similar nature. All meetings of the Board shall comply with applicable open meetings laws and at least annually the Board shall hold a meeting for all users of the System to discuss the general condition of the System and such other matters as the Board shall determine. Subject to the provisions and restrictions contained in this Ordinance, and in ordinances relating to Additional Bonds, which shall be consistent with and in accordance

with the provisions of this Ordinance, and the provisions of the City Charter of the City, all of the provisions and covenants of which shall be binding upon the Board of Trustees in like manner as they would have been binding on the City Council of the City had operation of the System been retained by the City Council, the Board of Trustees shall have complete authority and control of the management and operation of the System; and among the powers that may be exercised by the Board of Trustees, but not limited thereto, the same are hereby enumerated for greater certainty:

1. To take, have and exercise exclusive possession and control of the System, and all additions thereto, and to collect, and enforce the collection of all funds and revenues that may be or become owing or that may arise out of the operation of the System, and to disburse the same in accordance with the provisions of this provision, and in the manner provided by Section 1502.070, as amended, Texas Government Code;

2. To fix all rates for all services to be furnished by the System, with the power to alter the same at any time or times, subject to approval of the City Council of the City;

3. To employ and pay the compensation of a general manager of the System, and attorneys, engineers and other professional or technical aids as the Board of Trustees may deem necessary in the proper conduct of said business; and

4. To do any and all things necessary in reference to the installing and maintaining of a complete system of records and accounts pertaining to the System and to make monies available for the payment of revenue bonds in the manner provided by Section 1502.056, as amended, Texas Government Code.

(c) The System shall be operated on the basis of a Fiscal Year which shall be the same as the City, and the City covenants and agrees that as received, all revenues and income of every nature derived from the operation of the System shall be deposited by the Board of Trustees from day to day into the Revenue Fund, kept separate and apart from all other funds or accounts, and such fund shall be pledged, appropriated and used for the following purposes, and in the order of precedence shown, all in accordance with the laws of the State of Texas, the ordinances of the City and all current and future utility system revenue bond ordinances as follows:

First: To the payment by the Board of Trustees of the necessary and reasonable expense of operating and maintaining the System, including salaries, labor, materials, interest, repairs and extensions necessary to render efficient service. Repairs and extensions above referred to shall include only such as are found by the Board of Trustees to be necessary to keep the System in operation and render efficient service, or necessary to remedy some physical defect which would otherwise impair the security of any bonds authorized and issued.

Second. To those funds created and maintained hereby and as may be required by bond ordinances adopted in the future.

Third. To the general fund of the City an amount equal to 3.0% of the Gross Revenues of the System, payable in monthly installments, pursuant to the authority granted in Section 1502.056, as amended, Texas Government Code.

Fourth. All revenues of the System remaining after the above requirements have been satisfied (including any increased payments into the aforesaid Bond Fund and Reserve Fund, as may be necessary by reason of the issuance of Additional Prior Lien Obligations in the future under the provisions hereof) and after all deficiencies existing in such requirements have been remedied, may be used (i) for extension, additions, betterments and improvements to the System, or any other lawful purpose as the Board may from time to time determine, (ii) for retiring in advance of maturity Bonds issued hereunder or Additional Prior Lien Obligations issued on a parity therewith according to the provisions made for their prior redemption, or (iii) to purchase Bonds on the open market at not exceeding the market value thereof. All Bonds so paid, redeemed, or purchased shall be canceled and shall not be reissued. It is further provided that all revenues of the System remaining at the close of any Fiscal Year, after the requirements of the Bonds herein authorized or Additional Bonds hereafter legally authorized have been completely satisfied in accordance with the provisions of the ordinances authorizing the same, may, at the discretion of the Board, be transferred to the City's general fund as permitted by Section 1502.056, as amended, Texas Government Code.

(d) The Board of Trustees shall appoint and employ all officers and employees which it may deem desirable, including a General Manager of the System and an attorney or attorneys and other professional consultants. All employees of the Kerrville Public Utility Board shall be employed by and under the direction of the Board and the General Manager and shall be independent of the City Manager and other employees and operations of the City. No officer or employee of the Board of Trustees may be employed who shall be related within the second degree of sanguinity or affinity to any member of the Board of Trustees.

(e) 1. The Board of Trustees shall obtain and keep continually in force an employees' fidelity and indemnity bond of the so-called "blanket" type, written by a solvent and recognized indemnity company and covering losses to the amount of not less than One Hundred Thousand Dollars (\$100,000.00) or such larger amount as the Board may determine.

2. The Board may indemnify or reimburse any present or former member of the Board for any costs, expenses or other liability incurred by that member in any "proceeding", as that term is defined, to which the member is made a party by reason of holding that position, and all of the members of the Board, present or past, may be indemnified against expenses actually and necessarily incurred by them in connection with the defense of any proceeding (as so defined) in which they, or any of them, are made parties, or a party, by reason of being or having been members of the Board; provided, however said member may receive indemnification or reimbursement as aforesaid subject to and only upon satisfaction of the following conditions:

i. only if there is a determination made that he or she conducted himself or herself in good faith and also reasonably believed: (a) his or her conduct was in the Board's best interest, in the case of conducting his or her official business, or (b) in all other cases, that his or her conduct was at least not opposed to the Board's best interest;

ii. in any criminal proceeding, there also must be a determination that the member had no reasonable cause to believe that his or her conduct was unlawful;

iii. the determination required under (i) and (ii) above shall be made by the Board by a majority vote of the members of the Board not named as defendants or respondents in the proceeding;

iv. indemnification may include judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but if the proceeding was brought by or in behalf of the Board, the indemnification shall be limited to reasonable court costs and attorney fees actually incurred by the member in connection with the proceedings; and

v. authorization of indemnification and determination as to the reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, as provided in (iii) above.

3. The Board shall indemnify any such member against reasonable court costs and attorney's fees incurred in connection with the proceeding in which the member is a named defendant or respondent because he is or was a member if such party has been wholly successful, on the merits or otherwise, in the defense of the proceeding; and if in a suit for the indemnification required herein, a court of competent jurisdiction determines that the member is entitled to indemnification hereunder, the court shall order indemnification and shall award to the member court costs and reasonable attorney fees incurred in securing the indemnification.

4. Reasonable court costs and attorney fees incurred by a member who was, is or is threatened to be made a named defendant or respondent in a proceeding may be paid or reimbursed by the Board in advance of the final disposition of the proceeding after the Board receives a written affirmation by the member of his good faith belief that he has met the standard of conduct necessary for indemnification hereunder and an unlimited written undertaking and general obligation by or on behalf of the member to repay the amount paid or reimbursed if it is ultimately determined that he has not met those requirements, and a determination of the facts then known to those making the determination would not preclude indemnification hereunder, and the determination of authorization of indemnification and as to the reasonableness of such expenses is made pursuant to (ii) above.

5. Notwithstanding any other provision contained herein, the Board may pay or reimburse expenses incurred by a member incurred in connection with his appearance as a witness or other participation in a proceeding at a time when he is not a named defendant or respondent in the proceeding.

6. Any indemnification herein provided shall not be deemed exclusive of any other rights to which those indemnified may be entitled by law or otherwise. As used herein, the term "proceeding" means any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrate, or investigative, any appeal in any such action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

7. Notwithstanding anything contained hereinabove to the contrary, in no event may any person be indemnified or reimbursed against court costs, attorney fees, expenses, penalties, or other payments incurred in any proceeding in which the person is found liable to the Board or in which such person is found liable on the basis that personal benefit was improperly received by such person, whether or not the benefit resulted from an action taken in the person's official capacity.

8. To the extent permitted by law the Board of Trustees shall indemnify the City from, and pay from its revenues, the costs, losses and expenses relating to (and shall defend, and engage counsel for) all claims, suits, causes of action, and judgments relating to, or arising out of, the operation of the System.

9. These indemnity benefits are personal to each past or present member, and may only be enforced by such individual, or his estate. In no event may the indemnity rights hereunder be enforced by any assignee. In the event of an assignment of any right hereunder, any coverage provided hereby shall immediately terminate.

10. These indemnity provisions shall never be construed so as to provide for a direct action by any plaintiff or judgment holder (other than members) against the Board, or the City of Kerrville.

(f) The members of the Board of Trustees shall not receive any compensation except reimbursement for out-of-pocket expenses and except as authorized by the City Council of the City of Kerrville; provided that the Mayor of the City may receive compensation for his service as Mayor as determined by the City Council or other ordinances of the City applicable to the Mayor and his compensation.

(g) Liabilities - Indemnity. All liabilities in any manner arising out of the existence of the System, or arising out of System operations, or resulting from an act or omission of an employee of the System; whether tort, contractual or otherwise, shall be paid out of the revenues or other resources of the System. The general funds of the City shall never be liable for liabilities of the System, and the City shall be indemnified against System liabilities by means of System revenues.

SECTION 36: 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 37: Printed Opinion. The Purchasers' obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Fulbright & Jaworski 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 38: 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 39: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 40: 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 41: 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 42: 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 43: 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 44: 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 45: 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 46: 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 47: No Recourse Against City or Board 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 the Board or any person executing any Bond.

SECTION 48: Continuing Disclosure Undertaking.

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, in denominations of generally \$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 49: Book-Entry Only System.

The Bonds may initially be registered so as to participate in a securities depository system (the *DTC System*) with The Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bonds described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit C (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, or (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 50: 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 51: Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, 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 52: Accounting Reports. The Board shall provide annually to the Purchasers for so long as the Purchasers remain a holder of the Bonds, within 105 days after the end of each Fiscal Year ending in or after 2014, financial information and operating data with respect to the Board; 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 Board may be required to employ from time to time pursuant to Texas law or regulations, and (2) audited, if the Board 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 Board shall provide (1) unaudited financial statements for the applicable Fiscal Year within six months 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: Effective Date. Pursuant to the provisions of Section 1201.028, as amended, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding any provision in the City's Home Rule Charter to the contrary concerning a multiple reading requirement for the adoption of ordinances.

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

PASSED AND ADOPTED on the 22<sup>nd</sup> day of October, 2013.

CITY OF KERRVILLE, TEXAS

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

(CITY SEAL)

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

\_\_\_\_\_  
City Attorney, City of Kerrville, Texas

## INDEX TO EXHIBITS

Exhibit A .....	Paying Agent/Registrar Agreement
Exhibit B .....	Purchase Contract
Exhibit C .....	DTC Letter of Representations

**EXHIBIT A**

PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. \_\_

**EXHIBIT B**

**PURCHASE AND INVESTMENT LETTER**

SEE TAB NO. \_\_

**EXHIBIT C**

DTC LETTER OF REPRESENTATIONS

SEE TAB NO. \_\_

## **Agenda Item:**

6A. Request by the Military Order of the Purple Heart to waive all fees for the Veterans Day Parade. (Byron Warren)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT OF REQUEST:** Kerrville Veterans Day Parade

**AGENDA DATE:** Oct. 22, 2013

**DATE SUBMITTED:** Oct. 15, 2013

**REQUESTED/SUBMITTED BY:** Byron Warren      **PHONE:** 830-257-8025

**ORGANIZATION REPRESENTING:** Military Order of the Purple Heart

**MAILING ADDRESS:** 2944 Dry Hollow Dr

Kerrville, TX 78028

**EMAIL ADDRESS:** bhbuda@ix.netcom.com

**EXHIBITS/INFORMATION:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

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**WILL THIS ITEM REQUIRE CITY COUNCIL TO AUTHORIZE THE  
EXPENDITURE OF CITY FUNDS?    YES:   X      NO:**

**IF YES, STATE AMOUNT REQUESTED: \$   50.00**

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**DESCRIPTION OF REQUEST**

Several Military Service organizations, the Kerrville daily newspaper have organized a Veterans Day Parade to commence Nov. 11, 2013. Applications have been submitted to the City of Kerrville and Kerrville Police Department. Fees have been paid, the parade route has been identified and approved by the Kerrville Police Department.

The Veterans Day Parade committee is requesting to the Kerrville City Council that all fees for the Veterans Day Parade be waived and reimbursement of fees already paid returned to the committee. The committee understands the withholding deposit with the Police Department shall remain and cleared after the parade event.

**RECOMMENDED COUNCIL ACTION**



# VETERANS DAY MARCH

## A GATHERING OF COLORS

**NOVEMBER 11, 2013**

**WHEN: March Muster at 4:30 PM**  
**March Start at 5 PM**

**WHERE: Jefferson St at Washington St to the**  
**Kerr County Courthouse**

**What: Bands – Flags – Local Veterans Organizations**  
**Police & Fire Departments – Boy & Girl Scouts**

**A brief ceremony on the courthouse steps with a**  
**Patriotic Music Salute by the Tivy Band**

**Bring the kids and enjoy a Kerrville patriotic**  
**event honoring Veterans!**



**A Kerrville Veteran Celebration!**

**For Information, call**  
**830-377-8115**

## **Agenda Item:**

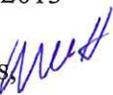
6B. Charter of the City of Kerrville, Texas and Proposed Amendments, if any.  
(staff)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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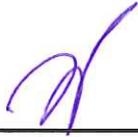
**SUBJECT:** Charter of the City of Kerrville, Texas, and Proposed Amendments, if any

**FOR AGENDA OF:** Oct. 22, 2013      **DATE SUBMITTED:** Oct. 15, 2013

**SUBMITTED BY:** Mike Hayes,   
City Attorney      **CLEARANCES:**

**EXHIBITS:** *Report of the 2013 Kerrville Charter Review Commission* (by email only)

**AGENDA SENT TO:** CRC

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

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Expenditure	Current Balance	Amount	Account
Required:	in Account:	Budgeted:	Number:
\$ NA	\$	\$	

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE FINANCE DEPARTMENT:**

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**SUMMARY STATEMENT**

Last year, the City Council established a Charter Review Commission (“CRC”). Council charged the CRC with reviewing the City Charter. The CRC completed its review of the Charter and submitted its *Report of the 2013 Kerrville Charter Review Commission* at Council’s September 24, 2013, meeting. After the CRC’s presentation, Council voted to accept the Report. Council then decided that to review the Report and consider the recommended amendments and any others at its second meeting in October.

**RECOMMENDED ACTION**

Consideration of amendments to the City Charter.

## **Agenda Item:**

7A. Kerrville Economic Development Corporation work program update. (Jonas Titas)

**TO BE CONSIDERED BY THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Kerrville Economic Development Corporation Work Program Update

**FOR AGENDA OF:** October 22, 2013    **DATE SUBMITTED:** October 10, 2013

**SUBMITTED BY:** Ashlea Boyle *ab*  
Main Street / Special Projects Manager

**CLEARANCES:** Todd Parton  
City Manager

**EXHIBITS:** Work Program Update

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:** 

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<b>Expenditure Required:</b>	<b>Current Balance in Account:</b>	<b>Amount Budgeted:</b>	<b>Account Number:</b>
\$	\$	\$	

**PAYMENT TO BE MADE TO:**

**REVIEWED BY THE DIRECTOR OR FINANCE:**

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**SUMMARY STATEMENT**

The Executive Director of the Kerrville Economic Development Corporation (KEDC) will provide a report on the KEDC FY13 Work Program.

**RECOMMENDED ACTION**

This report is provided for informational purposes only. No recommended action.

**Retention/Expansion**

Goals and Objectives:

The tasks below will be accomplished in order to package 2 local expansion projects. These new projects, along with projects currently underway, will create 20 new jobs and retain 50 jobs.

	2012/2013 GOALS	2012/2013 RESULTS
Retention Visits	20	61
Local expansion projects	2	1
New Jobs	20	30
Retained Jobs	50	0

1 project for Fox Tank Separators. Company projects 30 new primary jobs with average wages of \$40k

Tasks	Status
Conduct 20 retention visits	61 Retention Visits
Participate in the development of programs to increase skilled labor	Fox Tank received Skills Development Fund Grant and Vocational Training Center is open at airport 4 Classes have been held, training 27 students (1 hired at Fox Tank) Waiting List of 50 for Fall Semester
Support local companies on 1 legislative / regulatory issue	KEDC supported two legislative items (R&D Tax Credit and Chapter 313s) with Texas EDC KEDC attended Kerrville Day in Austin

**RETENTION VISITS**

- |                                    |                                |
|------------------------------------|--------------------------------|
| 1. 7/12 Schreiner University       | 38. 4/11 Camp Verde            |
| 2. 7/12 Fox Tank                   | 39. 4/25 Bending Branch Winery |
| 3. 7/17 Comanche Trace             | 40. 4/26 Wells Fargo           |
| 4. 7/17 Peterson Hospital          | 41. 5/8 Peterson Hospital      |
| 5. 7/19 Callioux Foundation        | 42. 5/10 Bending Branch Winery |
| 6. 7/19 Broadway Bank              | 43. 5/16 NatureBlinds          |
| 7. 7/20 Guadalupe National Bank    | 44. 5/21 Gary Stork            |
| 8. 7/26 Terminex                   | 45. 5/29 Bending Branch Winery |
| 9. 8/1 Security State Bank & Trust | 46. 5/29 Los Gatos Vineyard    |
| 10. 8/3 BCFS                       | 47. 6/3 Centennial Bank        |
| 11. 8/10 Kerrville State Hospital  | 48. 6/12 Museum of Western Art |
| 12. 8/13 Culligan Water            | 49. 6/20 Museum of Western Art |
| 13. 8/16 Fox Tank                  | 50. 7/8 Bending Branch Winery  |
| 14. 9/13 Kerrville State Hospital  | 51. 7/16 Keller Williams       |
| 15. 9/21 Fox Tank                  | 52. 7/17 NatureBlinds          |
| 16. 9/28 Broadway Bank             | 53. 7/24 James Avery           |
| 17. 10/31 TMJ Engraving            | 54. 7/25 Keller Williams       |
| 18. 11/6 Fore Premier Properties   | 55. 7/26 Tuscany Ranch         |
| 19. 11/9 Fox Tank                  | 56. 8/6 Dallas Coon            |
| 20. 11/15 Kerrville Cancer Center  | 57. 8/7 Dallas Coon            |
| 21. 1/2 HCYEC                      | 58. 8/13 TCKF                  |
| 22. 1/3 Fox Tank                   | 59. 8/15 Bending Branch Winery |
| 23. 1/8 Wells Fargo                | 60. 8/26 Bending Branch Winery |
| 24. 1/11 Kerrville Hills Winery    | 61. 9/9 iStructures            |
| 25. 1/17 HCYEC                     |                                |
| 26. 1/18 HCYEC                     |                                |
| 27. 1/23 Equitech Bio              |                                |
| 28. 1/30 Hardin Heating & Air      |                                |
| 29. 2/7 Republic Services          |                                |
| 30. 2/8 Bank of the Hills          |                                |
| 31. 2/15 Fox Tank                  |                                |
| 32. 2/26 Bending Branch Winery     |                                |
| 33. 3/1 Kerrville Folk Festival    |                                |
| 34. 3/9 Kerrville Daily Times      |                                |
| 35. 3/28 Bending Branch Winery     |                                |
| 36. 4/3 Local Wineries             |                                |
| 37. 4/11 Singing Waters Winery     |                                |



**New/Small Business Development**

<p><u>Goals and Objectives:</u></p> <p><i>The tasks below will support new business development with other economic development business support groups.</i></p>	
<p><i>Tasks</i></p>	<p><i>Status</i></p>
<p>Coordinate with other small business assistance groups, i.e., SBDC, Schreiner University and make 5 referrals</p>	<p>3 SBDC Referrals                  KEDC works closely with UTSA Inst of Econ Dev and SBDC for resources to support econ dev in Kerr Co</p>

KEDC is working closely with Alamo Grid Aquatics (Seguin) and a local landowner on the development of a water park in Kerrville.

### Targeted Marketing

Goals and Objectives:

The tasks below will support the marketing activities that will generate 15 response packages for prospects and suspects which will result in 3 prospect visits with 3 formal proposals. These activities will result in the relocation of 1 primary employers to the Kerrville area, the attraction of 30 new jobs.

	2012/2013 GOALS	2012/2013 RESULTS
Response Packages	15	13
Prospect Visits	3	7
Company Relocations	1	1
New Jobs	30	40

iStructures opened in July 2013 in Chapman Building.  
Company projects 40 new primary jobs.

Site Visits	
Date	Company
8/13	Culligan Water
10/23	Triangle Pump
11/28	Davis Bros Pizza
2/1	Acme Aircraft
5/16	iStructures
7/8	Bending Branch
7/16	S. Hemphill
7/26	Water Park
9/26	Allied Group

Tasks	Status
Present marketing materials to industrial allies (i.e., commercial brokers, utility providers, Texas Department of Agriculture, Gov's Ofc of Economic Development, site consultants, Texas One, Texas EDC, and other allies)	Ongoing
Attend 1-2 trade shows with industrial allies, i.e. Texas One	Not Completed
Make prospecting trips to 1-2 firms for "target" industries	Attended Texas Energy Summit (Aug), Eagle Ford Consortium Annual Conf (Feb) and Texas Wine & Grape Growers Annual Conf (Feb)

**Targeted Marketing (continued)**

<i>Tasks</i>	<i>Status</i>
Maintain membership in Texas EDC	Ongoing
Attend 2-3 Texas Economic Development Council meetings	Attended Annual Conf in Austin (Sep) and Mid Year in Frisco (June)
Market available industrial and retail land sites	Ongoing 7/25 Meeting with Drake Investments re: Airport Commerce Park
Market local office buildings for back office / customer service prospects	Ongoing
Improve Public Relations and work with KISD to support Public Relations effort	Press Release in San Antonio Express News (Feb) Work with KISD Public Relations for Business Week columns (monthly)
Improve Communication/Coordination with Stakeholders	Ongoing
Develop Wine Industry Recruitment Strategy	Worked with Gene Richards of Shepard, Richards & Co to draft marketing plan Developing relationships with State & Regional viticulture organizations
Maintain membership in Texas One	Ongoing
Attend 2-3 Texas One meetings	Attended 1 Texas One Meeting (Dec) in Austin

**Completed RFP's**

- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. Culligan Water (Aug)</li> <li>2. Trucking Prospect (Aug)</li> <li>3. Triangle Pump (Oct)</li> <li>4. Fox Tank (Nov)</li> <li>5. Davis Bros Pizza (Nov)</li> <li>6. Equitech Bio (Nov)</li> <li>7. TEU Services (Feb)</li> </ol> | <ol style="list-style-type: none"> <li>8. iStructures (May)</li> <li>9. Water Park (July)</li> <li>10. Bending Branch (July)</li> <li>11. S Hemphill (July)</li> <li>12. Ronnie Lee (Sep)</li> <li>13. Allied Group (Sep)</li> </ol> |
|---|--|

## Incentives and Infrastructure

<u>Goals and Objectives:</u>	
The incentive/infrastructure activities will support job creation activities in retention/expansion, new business development, and targeted marketing by the packaging of 1 incentive agreements.	
<i>Tasks</i>	<i>Status</i>
Package 1 incentive project with Kerrville EIC, Kerr County and/or City of Kerrville	Fox Tank Separators Facility EIC Incentive Approved in Feb
Provide priority projects to Alamo Area Economic Development District for CEDS	Completed in Aug
Create Revolving Loan Fund	In Progress
Market Revolving Loan Fund with meetings with loan officers, community groups, minority business owners, newsletter ads, mailouts and newspaper story	N/A
Monitor Existing Incentive Agreements and Report to EIC	Ongoing

## Research & Publications

<i>Tasks</i>	<i>Status</i>
Update on the web site, facebook and print on a need basis Community Profiles and monitor website downloads	Ongoing
Determine prospects' key factors in site selection and prepare a summary for KEDC Board. Track prospect activity and analyze where possible.	Ongoing
Develop biannual presentation for EIC	Ongoing
Maintain the Economic Trends; benchmark trends against other cities, states, and US	Ongoing
Develop Annual Report	Not Completed
Purchase Hoovers Business List for Kerr County	Purchased in Oct
Develop Labor Market Profile / Survey	Not Completed
Update Demographic Information	Purchased in Oct
Maintain Buildings and Sites Database	Ongoing
Commission Hotel/Convention Center Market and Feasibility Analyses	KEDC received bids and scopes of work from PKF and HVS KEDC is working to find best path forward

**Administrative/Other Activities**

<i>Tasks</i>	<i>Status</i>
Provide Work Program updates to directors and members	Ongoing
Prepare Board packets, progress reports, and financials	Ongoing
Manage staff and economic development office: J. Titas & D. Canales	Hired new staff – Leah Dixon in July
Attend EIC Meetings	Ongoing
Attend City Council Meetings	Ongoing
Attend Commissioners Court Meetings	Ongoing
Attend Chamber Government Affairs Meetings	Ongoing
Maintain Rotary Membership and Attend Weekly Luncheons	Ongoing
Track KEDC Jobs and Investment Numbers for Projects	Ongoing
Pursue Accredited Economic Development Organization status (AEDO)	Will begin process in FY 2013/14
Conduct an internal (Kerr County) marketing and public relations campaign (includes speeches, media contacts, newsletter, special panels, and speakers bureaus)	Ongoing
Make presentations at workshops, conferences as requested	3 speeches in FY 2012/2013 with 45 attending
Pursue CEcD Designation for Executive Director	Will begin process in FY 2013/14

## **Agenda Item:**

7B. Kerrville Triathlon post event report. (staff)





## Post Event Report 2013

The 3<sup>rd</sup> Annual Kerrville Triathlon Festival was held September 28-29, 2013 and was the 6<sup>th</sup> and final event in the Texas Tri Series. This professionally organized event produced by High Five Events out of Austin, came to Kerrville in 2011 and brings a long course triathlon to the Texas Hill Country. High Five Events, along with Jack & Adam's Bicycles and the City of Kerrville aligned to set up the Kerrville Triathlon Festival, a multi-day event that consists of three races in two days along with a 2-day sports exposition, featuring a downtown finish and a free Kid's Fun Run.

The event offered three different triathlon options: a sprint, quarter ironman, and a half ironman. Options for relays were also offered for the half and sprint distances. The registration fee was \$250 for the half (\$275 for a three person relay), \$150 for the quarter, and \$100 for the sprint (\$160 for a three person relay). Each event participant received a moisture wicking tech tee and hat, reusable event bag, personalized bib number (if registered at least three weeks in advance), full color event magazine with tri tips, professional timing, plus finishers received a finisher medal and a souvenir bike bottle.

Awards were given to the top three overall male and female participants, and overall masters male and female participant. Awards were also presented to the top three male and female participants in each age group, starting at 24 and Under and going to 75+ in five year increments.

The swim start and finish, as well as Transition Area # 1 (location where bikes are parked during the swim), were located on the grounds of the former Family Sports Center site on SH

27, just north of Guadalupe Street. Transition Area # 2 (location where the bikes are parked during the run), was located on the field of Notre Dame Church, at the intersection of Water Street and Tivy Street. The Finish Line was located in the former Bank of America Parking Lot downtown, adjacent to *The Star* at the intersection of Water Street and Earl Garrett Street. Shuttle busses transported participants and spectators between the start and finish areas. A finish line party for participants and spectators took place with free food and drinks to participants and was made available for purchase for the spectators.

High Five Events worked closely with the City of Kerrville, Kerr County and TxDOT throughout the planning process of this event. The run route was different this year due to major construction projects. In the future, the route will incorporate Louise Hays Park and River Trail with the completion of the park improvements and River Trail projects. The Kerrville Police Department and Kerr County Sheriff's Department patrolled all affected traffic rights of way. Various lane closures and alterations took place during this event.

#### **Schedule of Events**

- Expo – Friday, September 27<sup>th</sup> and Saturday, September 28<sup>th</sup> at the Inn of the Hills Hotel and Conference Center.
- Sprint Triathlon & Kids Fun Run – Saturday, September 28<sup>th</sup>, 7:30 a.m. – 11:30 a.m.
- Quarter & Half Distance Triathlon – Sunday, September 29<sup>th</sup>, 7:30 a.m. – 4:00 p.m.

#### **Triathlon Distances**

- Sprint – 500 meter swim, 15 mile bike, 3.1 mile run
- Quarter – 1,000 meter swim, 29 mile bike, 6.4 mile run
- Half – 1.2 mile swim, 56 mile bike, 13.1 mile run

#### **Event Data**

- 1,254 triathletes participated;
- 150 children participated in the Kids Fun Run;
- Over 300 volunteers helped produce the event;
- Health Expo had 12 vendors (occupying 20 booths);
- 5 ambulance transfers (1 of the 5 was a spectator not event related);
- 16 states represented at the triathlon;
- According to the USA Triathlon Association, triathlete data indicates:
  - Average adult age: 38
  - Average income: \$126,000
  - 49% reported white-collar jobs
  - 19% reported professional jobs such as doctor, lawyer or accountant

- 12% are students or education workers
- Spending habits:
  - \$2,274 on bikes in past 12 months
  - \$564 race fees in past 12 months
  - \$524 bike equipment
  - \$370 training, running and athletic footwear
  - \$277 nutritional supplements

A conservative estimate of economic impact to Kerr County was \$629,442.00 based on visitor counts and identified spending habits during a sporting event. Most participants stayed two nights. An exact number dedicated to the triathlon is not available. See the hotel breakdown provided by the Kerrville Convention and Visitor's Bureau.

HOTEL	RATE	TOTAL ROOMS	HOTEL REVENUE	CITY REVENUE	CVB REVENUE
<b>Host Hotel:</b>					
Inn of the Hills (reported)	\$92.00	420	\$38,640	\$2,318	\$1,905
<b>Overflow Hotels:</b>					
Best Western Sunday House (reported)	\$84.00	51	\$4,284	\$257	\$211
Comfort Inn (estimate)	\$84.00	129	\$10,836	\$650	\$534
Days Inn (reported)	\$140.00	18	\$2,520	\$151	\$124
Hampton Inn (reported)	\$109.00	108	\$11,772	\$706	\$508
La Quinta (estimate)	\$129.00	48	\$6,192	\$372	\$305
Motel 6 (reported)	\$62.00	93	\$5,766	\$346	\$284
Super 8 (reported)	\$79.00	138	\$10,902	\$654	\$538
YO Ranch Hotel (reported)	\$129.00	36	\$4,644	\$279	\$229
<b>TOTALS:</b>					
		1,041	\$95,556	\$5,733	\$4,638

### Planning for 2014

- The 2014 event will be held September 26 – 28;
- Host hotel is Inn of the Hills;
- Registration begins on October 15, 2013;
- Route revisions / improvements under review;
- Continued planning meetings to be held with downtown merchants, sponsors, location hosts and staff from the City, County and TXDOT.

## **Agenda Item:**

7C. Budget and economic update. (staff)



**City of Kerrville**  
**Month ending September 30, 2013**  
 (Month 12 of FY13 Budget)

	Current Month	Year To-Date	% (100.00) to Budget	Prior Year To-Date
<b>General Fund</b>				
Total Revenues	\$1,214,752	\$21,694,367	103.76%	\$21,275,545
Sales tax	\$449,865	\$5,479,269	112.97%	\$5,119,521
Property tax	\$10,600	\$8,189,014	101.73%	\$8,176,300
Total Expenditures	\$1,566,199	\$20,593,504	96.38%	\$19,635,526

<b>Water and Sewer Fund</b>				
Total Revenues	\$966,069	\$9,316,754	103.23%	\$9,275,913
Water Sales	\$566,978	\$5,000,707	111.13%	\$4,810,623
(9,676 accounts serving 12,528 units - 9,818 installed meters - 272 inactive)				
Sewer Service	\$335,872	\$3,572,509	94.01%	\$3,537,439
(8,858 accounts serving 11,649 units)				
Expenditures	\$722,034	\$8,406,372	93.53%	\$11,809,294

<b>Hotel/Motel:</b>				
Revenues	\$98,197	\$957,850	114.71%	\$971,984
Expenditures	-	\$826,500	98.98%	\$878,800

<b>Unemployment:</b>		<b>Consumer confidence:</b>	
National	7.3	National	79.7 up 16.6% over 2012
Texas	6.4	Texas	99.1 up 26.2% over 2012
Local	5.3		(Sources: State Comptroller/WorkforceAlamo)

<b>Housing:</b>	
<i>Statewide:</i>	
Building permits issued single family housing 18% over same period 2012	
Sales of existing single family house 15.4% over same period 2012	
Median sale price for existing single family was \$178,000 - 10.8% over same period 2012	
(Source: State Comptroller)	
 <i>Local:</i>	
<i>Permits Issued for New Residence</i>	
Oct 2011 - September 2012	- 17
Oct 2012 - September 2013	- 45

## **Agenda Item:**

8A. Appointments to the zoning board of adjustment. (staff)

**BUSINESS OF THE CITY COUNCIL  
CITY OF KERRVILLE, TEXAS**

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**SUBJECT:** Appointment(s) to the Zoning Board of Adjustment

**FOR AGENDA OF:** October 22, 2013 **DATE SUBMITTED:** October 15, 2013

**SUBMITTED BY:** Brenda Craig  
City Secretary

**CLEARANCES:** Todd Parton  
City Manager

**EXHIBITS:** Board List

**AGENDA MAILED TO:**

**APPROVED FOR SUBMITTAL BY CITY MANAGER:**



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**SUMMARY STATEMENT**

Consider appointment(s) to the following board:

**Zoning Board of Adjustment:** One regular member position that expired on September 30, 2013; and one regular member position, due to expire on September 30, 2014, due to a resignation.

**RECOMMENDED ACTION**

Consider appointment(s).

**ZONING BOARD OF ADJUSTMENT**

	<u>Telephone</u>	<u>Orig. Appt.</u>	<u>Re-Appt. Date</u>	<u>Exp. Date</u>
ANDREW, GLENN CLARK Chairman 3553 La Cumbre Dr. Vice-Chair	895-0676 (H)	10-09-07* 10-28-08**	10-11-11	09-30-13
IRVIN, ROBERT Vice-Chairman 2128 Bluff Ridge	896-0586 (H) 315-2000 (O)	11-24-09	01-08-13	09-30-14
STILWELL, LINDA 415 Timber Ridge Dr.	329-6456 (C)	10-11-11* 01-10-12**	09-24-13	09-30-15
WALLER, BOB 33 Antelope Trail	792-6088 (H)	01-10-12* 01-08-13**		09-30-14
ZOHLEN, PAUL 384 Englewood	890-5854 (H) 281-474-5474 (C)	01-10-12* 01-08-13**		09-30-14
<b><u>ALTERNATES:</u></b>				
EYCHNER, JUDY 604 Cardinal Dr.	370-1587 (C) 257-5010 (O)	01-08-13		09-30-14
WHITE, ROBERT K. 402 Forest Ridge	896-6679 (H) 729-6679 (O)	01-08-13		09-30-14
<b>CITY STAFF:</b>				
Jason Lutz Senior Planner	258-1184 (O)			

- Qualifications: The board shall be composed of five members all of whom shall be residents and qualified voters of the city of Kerrville.
- Alternate Members: Two alternate members will be appointed who shall be qualified voters of the city to serve concurrent terms as the regular members. The alternate members will serve on the board in place of an absent member when requested to do so by the chairperson of the board so that all cases to be heard by the board shall always be heard by a minimum of four members.
- Powers and Duties: 1. The board shall hear and decide an appeal that alleges an error in any order, decision, or determination made by an administrative official of the city in the interpretation or enforcement of Chapter 211 of the Texas Local Government Code, as amended, or the zoning code.

2. The board shall grant, upon written request, variances from the height, yard, area, coverage, floor-to-area, and buffering regulations and required number of parking and loading spaces prescribed by the zoning code, which variances are not contrary to the public interest, and which, because of special conditions, a literal enforcement of the ordinance would result in unnecessary hardship.

Term of Office: Two years. The members shall be appointed by a majority vote of the members of the city council. No member or alternate member shall serve more than two consecutive full terms on the board without having at least one full year off of the board between terms.

Quorum: Four members

Number of Members: Five with two alternates

Meeting Time & Place: At the call of the chairperson and at such other times as the members of the board shall determine.

Absences: Cause for removal of a member of the board by the city council shall be deemed to exist if during any period of twelve consecutive months for any reason other than a medical reason which prevents the member's attendance, the member is absent from the greater of three called meetings of the board or 25 percent of the called meetings of the board.

Established by: Ordinance No. 1997-07

Revised: October 9, 2013

\* Appointed as alternate

\*\* Appointed as full member